
VolkerStevin Limited

Annual Report and Financial Statements

Registered number: 00288392

For the year ended 31 December 2019



VolkerStevin Limited

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VolkerStevin Limited

Company Information

Directors

RD Coupe (Managing Director)
NA Connell
AR Robertson
L Taylor
AR Towse
MG Woods
VolkerWessels UK Limited

Auditor

Deloitte LLP
Statutory Auditor
1 New Street Square
London
EC4A 3HQ
United Kingdom

Registered Office

Hertford Road
Hoddesdon
Hertfordshire
EN11 9BX

Trading addresses

The Lancashire Hub
Preston City Park
Bluebell Way
Preston
PR2 5PE

White Lund Trading Estate
Morecambe
Lancashire
LA3 3BY

Hertford Road
Hoddesdon
Hertfordshire
EN11 9BX

Registered Number

00288392

Principal Bankers

Royal Bank of Scotland plc
135 Bishopsgate
London
EC2M 3UR

BNP Paribas Fortis
10 Harewood Avenue
London
NW1 6AA

VolkerStevin Limited

Strategic Report

for the year ended 31 December 2019

Principal activities

VolkerStevin Limited is a national engineering services provider with its core activities focussed around civil engineering. It provides complex engineering solutions through three principal sector-led business streams; Marine and Defence, Water and Environment; and Energy.

This report was prepared at a time of unprecedented uncertainty due to the global COVID-19 pandemic. Whilst this did not affect the financial performance for the year ended 31 December 2019, it is clearly important to explain how we have responded as a business.

Paramount to our operations are our people and their health and safety. First and foremost, we have complied with government guidelines, ensuring that the wide variety of tasks that are undertaken on a daily basis have been modified as required to accord with the guidance. In addition, the business is providing support to all its employees to ensure they can continue to work either on site or remotely, with those whose roles permit them to working from home. For colleagues in key operational roles, we have ensured strict safety requirements, hygiene education, appropriate PPE and social distancing measures. We have also taken steps to protect our colleagues who are considered the most vulnerable across the Group.

The business has also been working closely with customers and suppliers to ensure that where possible service levels and payment practices continue on a 'business as usual' basis and liaising with government to ensure that the industry perspective and needs are considered in policy decision making. Our teams remain operational and we are grateful to the efforts our whole workforce are making as well as our supply chain partners who support us.

Business Review

The financial highlights and key performance indicators of the Company are as follows:

Financial key performance indicators

	2019 £000	2018 £000
Revenue	133,731	206,977
Gross profit	5,059	9,919
Gross profit margin	3.8%	4.8%
Operating result	(2,214)	1,080
Operating result margin	(1.7)%	0.5%
(Loss)/profit before tax	(2,712)	759
(Loss)/profit before tax margin	(2.0)%	0.4%
Cash and cash equivalents	14,797	28,921
Net assets	16,994	19,173
Forward Secured order book ¹	185,370	199,381

The Company has initially applied IFRS 16 at 1 January 2019. Under the transition methods adopted, comparative information has not been restated. See Note 2.

Non-financial key performance indicators

		2019	2018
Health and wellbeing			
Safety	Accident frequency rate (AFR) ² (Number of RIDDOR reportable accidents per 100,000 hours worked)	0.03	0.03
Natural environment			
Raw material	Waste diverted from landfill (percentage)	93.0	94.0
CO ₂ emissions	Carbon dioxide footprint in kilotons (tonnes/million revenue) ³	62.1	36.4
People and culture			
Employee engagement	Employee survey score across 4 key engagement metrics	86	85

The non-financial key performance indicators presented above are for the group headed by the Company's immediate parent, VolkerStevin Group Limited, as this information is not available at company level.

¹ Forward secured order book is calculated by taking the value of future secured work, where the relevant contract or letter of intent has been received, the terms are agreed and the contract has been executed or will in all certainty be executed by both parties.

² The RIDDOR reportable injuries (excluding dangerous occurrences) are used in the Accident Frequency Rate (AFR) calculation. The AFR is the most commonly used measure for benchmarking safety performance in the UK. Accident Frequency Rate (AFR) = (number of RIDDOR reportable injuries ÷ total work hours) x 100,000.

³ The CO₂ emissions figure for 2018 has been restated to incorporate the most recent set of fully audited data. The 2019 figure includes emissions from certain aggregates, asphalt, and concrete material suppliers that were not included in the 2018 figures. On a normalised basis the carbon dioxide footprint for 2019 was 26.0.

Business Review (continued)

Trading conditions in the UK remained difficult throughout 2019 with a continued lack of clarity to business around the UK's future relationship with the EU a key factor. During 2019, in the absence of clarity over the future for the UK, confidence generally weakened, and economic growth remained subdued. In response to this economic headwind the Government remained bullish in its forecasts for investment in infrastructure over the next few years and following the general election there is now more clarity concerning the UK's exit from Europe. This provides some comfort to the construction industry, however the speed of key decision making to bring specific project investment forward does not yet appear to be in line with these aspirations in all cases. For further discussion on the risks with regard to the UK's relationship with the EU see the risk section of this strategic report.

The industry has also faced challenges from within this year with several large publicly listed contractors either entering insolvency or having to take urgent action to address high levels of debt on their balance sheets. Whilst these issues have had limited impact on our business, they have quite rightly prompted stakeholders to review industry practices and the adequacy of related regulation, a process which has had, and will likely continue to have, implications for all players in the sector, particularly those that contract with public bodies.

In this context, VolkerStevin Limited has experienced a challenging year, this is despite continued development of key client relationships and our strong reputation within the markets in which we operate, as seen through the renewal of the Amp 6 Framework with United Utilities where we have been awarded the sole appointment to the Environment Agency's next Generation supplier arrangements as sole contractor for its Collaborative Delivery Framework (CDF) in the North West and South East Regions. Additionally, we have been awarded two new frameworks, Marine and Coastal (MCF) with the Environment Agency and Amp 7 with Severn Trent Water.

Revenues for the year were £133.7m, (2018: £207.0m) a downfall of £73.3m, or 35.4%. This was partly expected as there had been some particularly large projects in the previous years which had finished prior to 2019, particularly Dover Western Docks Revival Scheme. Additionally, where the recovery of revenue is no longer certain to occur on specific contract, a provision of £0.4m has been included in these financial statements. This year has also been a transitional year in that several Water Utility Frameworks were due for renewal and as expected, volumes took a downturn in the year as the clients work through the new Framework conditions and review how work are to be allocated and released for pricing. In normal circumstances the works ramp up in the following year but we have seen this process being delayed due to COVID-19 impacting volumes in 2020. The renewal of these frameworks was exacerbated by delays in certain works being awarded, particularly the Oxford Flood Alleviation Scheme which was delayed as a result of public enquiry and the slower mobilisation of the Environment Agency framework contracts which was also renewed during 2019. The business has been able to manage resourcing appropriately despite these reduced volumes, in particular through providing opportunities for employees to work with its VolkerIntra sister business which in turn experienced record volumes in 2019. There were numerous projects awarded in the last quarter of 2019 and we expected the revenue volumes to grow, however as a consequence of COVID-19, the start date of these projects were delayed resulting in lower volumes in 2020.

In terms of gross profit margin, we recorded £5.1m, 3.8% (2018: £9.9m, 4.8%). This performance is lower than expected and is a reflection of the reduced volumes and the impact of several project challenges during the year. Numerous projects have completed during the year where final accounts remain in discussion and whilst we remain positive on the outcome, a cautious view has been taken until they are concluded. In the main these contracts remain unresolved. It is also likely that some of these processes will be determined by an adjudication process. In addition to this we have encountered disparate ground conditions to that anticipated at the outset, whilst delivering a large marine project on the South Coast. We are working through this with the client, but until this is concluded we have reported a reduced margin on the project impacting the gross profit margin significantly in the year. During the first 6 months of 2020 we have seen a shift in the status of this project in that a large proportion of CE's that were agreed have now been agreed in principle but the quantum still remains under discussion. We did not expect the position to deteriorate further albeit we have seen cost increases in the market due to further change on the project. The relevant costs have been recognised and a recovery route is being discussed with the client.

Our aim is to focus on high quality operational delivery, adding value for clients, and continue to develop relationships with our experienced long-term partners. After overheads, we have reported an operating loss of £2.2m, 1.7% (2018: Operating profit of £1.1m, 0.5%). The overheads are consistent with 2018 and therefore this reflects lower than anticipated volumes and deterioration on project performance impacting on the resulting profit margins

In terms of non-financial key performance indicators, we are pleased to be able to report a continuation of our overall excellent performance across safety, raw materials and employee engagement. Our Accident Frequency Rate, which was already in the top quartile of the construction industries best performing contractors, was maintained at the same level for 2019. The excellent employee engagement scores were also maintained with a slight improvement on the previous year, and we are proud of the level at which our employees feel engaged within our business, as we understand how critical they are to our success. Our waste management results continue to be impressive, with 93% of waste being diverted from landfill, above our target of 90%. Finally, we also achieved a 27% reduction in CO2 emissions. However we have included certain aggregates, asphalt, and concrete material suppliers that were not included in the 2018 figures and so this is not shown in the above statistics.

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Strategic Report

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Operational review and future developments

Marine

VolkerStevin Limited is widely regarded as one of the UK's leading maritime infrastructure providers and undertakes a full range of marine engineering works including, port and harbour infrastructure, jetties, marinas, marine piling, quay walls, linkspans, and floating structures.

During 2019, we have maintained a strong position in our dealings with commercial port operators through the delivery of several high-profile projects. We successfully handed over a major marine works package to Dover Harbour Board as part of the Dover Western Docks Revival scheme, one of the largest UK port infrastructure developments to be built in recent years. We constructed two new berths, a 550m long pier and new marina. We also repurposed existing infrastructure to create a new navigable entrance to Wellington Dock and carried out substantial repairs to Prince of Wales Pier. The project won a number of accolades including a Considerate Constructors Gold award and a CEEQUAL award for sustainability. The scheme demonstrates the strength of the wider VolkerWessels UK Group offering as VolkerFitzpatrick and VolkerLaser also delivered onshore packages of work.

We completed work for Hutchison Ports at the Port of Felixstowe where, in conjunction with VolkerFitzpatrick, we closed off an existing dock to enable an additional container yard facility to be constructed behind Berth 9 - a berth we extended two years ago. On the latest phase, we installed a combi-piled wall to enclose 3.2 hectares of seabed behind the finger pier. We dredged silt, removed a revetment, tied the works into the existing return wall, and installed cathodic protection and safety furniture.

Our involvement on the River Thames to enable the construction of the Thames Tideway Tunnel is also now complete and we have recently started work with Peel Ports to replace sluice gates on the Manchester Ship Canal - a vital passageway for vessels to the Port of Liverpool.

In the current climate, it is difficult to predict how ports will invest in the future, particularly around the implications of Brexit and whether frictionless trade will continue to be achieved. However, there are signs of optimism in container trade, Cruise, Ro-Ro and bulk liquids which are all areas where VolkerStevin Limited has good experience.

Defence

VolkerStevin Limited is a key supplier to the Ministry of Defence (MoD), providing specialist support to maintain, enhance and renew the UK's critical defence infrastructure, including maritime assets, both in the UK and overseas. Indeed, our relationship with the Defence Infrastructure Organisation (DIO) is continuing to develop positively and our portfolio of work, particularly with the Royal Navy, is seeing steady growth.

During the course of 2019, we have delivered significant military critical infrastructure improvements at all three of the UK's operational naval bases. We commenced construction works on the Clyde Commercial Framework, a 10-year programme to upgrade the nuclear submarine base on the Clyde estuary in Scotland. The framework involves a programme of replacement, refurbishment and new-build projects and our collaborative approach is recognised as central to success.

At HMNB Portsmouth we reconstructed Princess Royal and Victory Jetties, creating 21st century moorings to accommodate the Royal Navy's two new 65,000t aircraft carriers. We met the client's non-negotiable programme dates to berth the two new carriers. We demolished old jetty sections and replaced them with tubular piled and concrete deck structures, including strong points to support bespoke 80t fender spacer units. We also installed new infrastructure such as navigation aids, substations and a dedicated high voltage electricity supply to power the carriers when they are in berth.

We are constructing a new jetty at HMNB Devonport. This major infrastructure project will provide a modern jetty with fuel loading and firefighting capabilities. We are working within the confines of a 'Special Area of Conservation' along the River Tamar. As such, the project team has developed solutions to comply with stringent environmental regulations.

We also completed a roll-on-roll-off facility on the Falkland Islands, where we won the International Project of the Year Award at the 2019 Construction News (CN) Awards. The judges commented, "The introduction of health and safety standards on the island was very positive, and the use of local labour and materials, as well as wider involvement with the local supply chain was exemplary."

Earlier in the year, the DIO signalled its intention to use a new procurement route; the Crown Commercial Services (CCS) Construction Works Framework, as the primary source for its future contracts. This capital works framework is available to all public sector bodies in the UK and VolkerStevin was selected as one of five key suppliers in a dedicated, specialist Maritime Lot.

We are also looking to broaden our portfolio of work in the defence sector; in our own right, in collaboration with other parts of VolkerWessels UK and with external partners with our focus being on delivering capital works schemes.

Overall, we expect to achieve further growth in 2020 and beyond, as the marine and defence sectors continue to offer us a range of long-term, diverse opportunities from which we are able to be selective and take a targeted approach with the customers and projects we pursue. With our current and identified mix of work well balanced between commercial ports and the MoD, major projects and long-term frameworks, we have a level of resilience in the event of a product line downturn or if funding is diverted.

Water and Environment

Water

VolkerStevin Limited's prominence and reputation in the water sector has developed significantly through our involvement in AMP6. Our key customers are water and wastewater utility companies and include United Utilities and Severn Trent Water. We provide a full range of civil engineering, mechanical, electrical and instrumentation services for both clean water and effluent treatment. These services include new build, refurbishment and extension works to water treatment plants, effluent treatment plants, UIDs and outfalls on a civils-only, civils/MEICA and MEICA-only basis.

We are currently working in joint venture with Jacobs as one of four AMP6 Construction Delivery Partners (CDPs) for United Utilities, and in 2019 were awarded the sole appointment in their South East region for AMP7 (2020 - 2025). We have improved water and wastewater assets and helped meet Water Framework Directive (WFD) regulations at locations across United Utilities' operating area during AMP6, which is nearing completion.

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Operational review and future developments (continued)

We have cleaned up Morecambe Bay's bathing waters, and future-proofed and optimised wastewater treatment performance, through the Morecambe Catchment Strategy. We designed and built new systems to store and treat increased quantities of wastewater at two sites, which we connected with a new 6km pumped transfer pipeline.

We have also reduced discharges from the Fylde coast into the North Sea to an average of just three per bathing season by completing two phases of work at Anchorsholme Park. During heavy rain, the 12,000m² underground facility we designed and built retains stormwater. The amphitheatre, café, and children's playground we built upon completing the main works gives the park an attractive centre-piece.

The ability of our dedicated team to keep United Utilities' customers happy during construction works has made a huge contribution to our successes and helped us secure our AMP7 appointment. For example, our Morecambe team received 126 WOW! award nominations; each nomination was made directly to the client by local customers to reflect outstanding service by a member of our team.

Mobilisation work has also started with Severn Trent Water in two lots under their AMP7 programme which were also secured in 2019; the major lot being delivered in joint venture with Atkins. The frameworks include design and construction and cover the full spectrum of works for both water and waste water. They comprise multidisciplinary activities including design, project management, construction, testing, commissioning and maintenance of water & waste water treatment works, pipelines, pumping stations, reservoirs and mechanical and electrical installations.

As a regulated sector, spending is reasonably insulated from any substantial impact of Brexit. Post Brexit it is possible that the UK will choose to parallel most of the EU directives such as the WFD yet de-couple from some of the more onerous and inefficient requirements which would drive advances in innovation and technology to meet the expected quality improvements. VolkerStevin Limited is ideally positioned to thrive in this environment.

Looking ahead and outside of our frameworks throughout AMP7 and beyond, we are taking a selective approach to securing additional revenue through the pursuit of a number of standalone design and build projects and the Direct Procurement for Customers (DPC) route.

Environment

VolkerStevin Limited is a market leader in flood and coastal risk management (FCRM), working in partnership with key customers including the Environment Agency and local authorities throughout England, Scotland and Wales.

We provide a full range of engineering solutions from feasibility through to construction and maintenance, covering sheet pile and reinforced concrete flood walls, earth embankments, river re-alignment, habitat and wetland protection and creation, de-mountable flood protection systems, lock gate installation and refurbishment, hard and soft landscaping and mechanical, instrumentation and electrical works.

Following a successful 15 year partnership with the Environment Agency, engaged most recently via its Water and Environment Management Framework (WEM), we were re-appointed in June 2019 through its next generation supplier arrangements; as sole contractor under its Collaborative Delivery Framework (CDF) in the North West and South East regions, and alongside joint venture partners Boskalis Westminster and Atkins (VBA Joint Venture Limited) on its national Marine and Coastal Framework (MCF). These frameworks focus on collaborative delivery team working, reducing the risk of river and coastal flooding, as well as delivering social and environmental improvements across England. Both will run through to 2023 with an option to extend by a further four years.

The Mytholmroyd scheme is an example of best in class flood defence construction, delivered in a highly constrained location right in the heart of a small community. Innovative temporary works and strong stakeholder engagement have kept the community on side and merited a Gold Award and our highest ever score from the Considerate Constructors Scheme in 2019.

We also work closely with local authorities around the UK and are delivering numerous flood and coastal protection schemes for customers including Lancashire County Council, North Lincolnshire Council, Medway Council and Fylde Borough Council. On our Lincolnshire Lakes project, we worked with North Lincolnshire Council to construct 3.8km of flood defences along the River Trent. We challenged the design to save £2m and help overcome a funding shortfall. We drove, vibrated and pressed 4,000 14m-long steel sheet piles through the crest of the existing embankment. Our team called on specialist in-house design resources to manage interfaces with the M180 motorway, and Network Rail and Northern Powergrid infrastructure. Our work protects the village of Burringham and creates a flood-free development site on which 6,000 homes will be built.

We are upgrading 2.5km of failing coastal defences and creating an attractive promenade from Fairhaven to Church Scar on Lancashire's Fylde Coast. We have laid 2750 precast units ahead of programme, installed 2.2km of tubular and sheet piles and constructed rock armour islands to accommodate the surrounding wildlife. All the work has been delivered within the tidal zone with careful planning to ensure safe working in the harsh tidal environment. Overall completion is scheduled for 2020 and will protect 2,425 properties from coastal erosion and sea flooding.

In September, we were appointed by Portsmouth City Council and the East Solent Coastal Partnership to deliver the Southsea Coast Protection Scheme, a major coastal flood risk management and regeneration project, scheduled to be delivered over the next 7 years. Securing this major competitively tendered contract, further demonstrates our market leading position and provides added business resilience in the sector over the coming years. Defra is continuing to work with the Environment Agency and Scottish and Welsh Governments to enhance its analysis of long-term investment options, ensuring that funding is balanced to support communities at highest risk, as well as maximising wider economic benefits. This outlook provides further positive reassurance to VolkerStevin Limited's future success in this sector.

Our wide range of engineering skills and business capabilities have been applied to the challenge of the reclamation, remediation and regeneration of derelict and contaminated land to create sustainable communities, waterside renaissance and flagship regeneration projects. Our customers include Homes England, regional development corporations, local authorities and private developers.

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Operational review and future developments (continued)

Clean up and new infrastructure work was recently completed at the Avenue Coking Works at Chesterfield, recognised as one of Europe's most contaminated sites. The project received the 'Judges Special Award' at the Brownfield Briefing Awards. There has only been one other special award in the 14 year history of the awards and the judges said: "It was an example of a long term, large scale, technically and logistically complex project to unlock a fenced-off highly contaminated site which has been used as an exemplar since inception involving thermal desorption, ex-situ bioremediation and waste sorting. Many lessons have been learned as it progressed, and it has provided valuable practical experience for many in the industry".

We continue to focus on major long-term Government backed industrial regeneration schemes that allow us to bring forward our skills and learning developed while delivering this highly complex project.

Energy

Much of the UK's existing infrastructure which has served us well is now old, inefficient and in need of replacement, particularly the country's thermal electricity generation capacity. Whilst the electricity grid is resilient, new clean energy infrastructure is required to maintain supply and safeguard future economic security. Modernisation is also needed to take advantage of digital technology and developing smart grids that are much more responsive and can deliver cleaner energy more flexibly with greater energy savings for consumers.

Drawing on the wider multi-disciplinary capability of VolkerStevin Limited and by establishing a dedicated Energy sector business stream, our focus is now centred on the integration of these specialisms into a wider energy sector offering to tackle these future market demands. This will allow us to expand more broadly into the UK energy market where we currently focus on two sectors. We anticipate future growth working with our sister company Visser Smit Hannab who are an energy market leader in the Netherlands.

Directional Drilling

VolkerTrenchless Solutions (VTS) is an unincorporated Joint Venture formed between VolkerStevin Limited and Visser Smit Hannab to deliver Heavy Directional Drilling Projects (HDD). It has successfully completed two major projects during the year within the UK; IFA2 which allows cables to pass under the English Channel across to France linking the two country's national grid networks, and East Anglia One which was delivered for Scottish Power Renewables in Suffolk to connect duct routes for cables between the East Anglia One offshore wind farm and 21 locations across Ipswich and Felixstowe.

The East Anglia One project has enabled 500,000 homes across East Anglia to be supplied with clean, renewable energy and received the 2019 'Best New Installation Project' award from the UK Society of Trenchless Technology. The award recognised the significant achievement of installing 148 HDD ducts along the 37km route under roads, estuaries, rivers and protected ancient woodlands.

VTS is becoming synonymous for delivering complex HDD projects associated with energy infrastructure in the UK which has been demonstrated through the delivery of various other projects throughout the year. The focus to date has been within the UK market but we are currently reviewing further growth potential across other European countries working with our partner in the Netherlands.

COVID-19

Looking ahead, we must recognise that the impacts of the Coronavirus COVID-19 pandemic are expected to be significant during 2020 and the full extent of the impact on the construction industry, and indeed the nation as a whole is not yet fully understood. VolkerStevin Limited has developed comprehensive contingency plans and continues to deliver on site insofar as Government legislation enables it to do so. For further discussion on the risks with regard to the pandemic see the risk section of this strategic report. The Company has in place a strong pipeline of quality work with the secured order book at year end at £185.4 million. We take a cautious approach to our order book recognition by only including signed contracts and, for framework contracts, only including work packages agreed with our clients. We continue to focus on profit rather than volume and aim to maintain our unique reputation for quality, sustainability and innovation.

Secured order book

The outlook for the business is positive as it continues to concentrate on its core activities with experienced management in place, backed by a sound financial position. The business expects a significant proportion of its turnover to be awarded through long term frameworks and will continue to be selective on external market opportunities, managing a balanced pipeline of identified schemes.

At 31 December 2019 the secured order book stood at £185.4m. This represents a small decrease of £14.0m in secured work since last year due to a number of significant contracts in the pipeline at the end of the prior year, and continues to illustrate the ongoing strength of our pipeline.

Going concern

Given the Company's net cash position and the strength of the secured order book, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for 12 months from the date of signing the financial statements (see note 2.3 for further details).

The outbreak of COVID-19 is a very significant humanitarian and economic event facing many businesses. It has become clear that this will result in a significant economic slowdown, if not recession, in the months ahead. In this period of uncertainty, it is very difficult to make forward looking statements or predictions with any great certainty. However, we believe that the impact of COVID-19 will be a temporary disruption and will ultimately pass. In the meantime, we have produced forecasts that have been sensitised to reflect a plausible downside scenario as a result of the COVID-19 pandemic and its impact on the UK economy, as discussed in the Going Concern statement (note 2.3) in these financial statements. Operations have not been significantly impacted, due to our ability to manage our diverse customer and supplier base. We have no reason to believe this would not continue if further a second wave of COVID-19 occurred. Overall we estimate that the impact of COVID-19 has led to a 10% impact on revenues, and less than 24% impact on our gross margin in absolute terms.

Risk management

Risk management is one of the key foundations of our governance and we actively identify and manage our risks in all areas across our business and operations. In particular, we work very closely with our clients at both pre and post contract stages to ensure that risks are understood, managed and clearly apportioned, which is the bedrock of any successful project business. We operate professional and responsible risk management to all financial, commercial, operational and contractual aspects of the delivery of construction projects and oversight of our company.

Health, safety and quality

Mitigation

- Culture, policy and strategy established by effective leadership
- Clearly defined management systems, registered to ISO and OHSA standards
- Interfaces and responsibilities that are understood and accepted by all
- Board level focus on all HSEQ matters
- Behavioural programmes and Health and well-being programmes
- Corporate governance, inspection and audit

People, culture and values

Mitigation

- Board level focus on all people matters to ensure a diverse and inclusive culture
- Succession Planning to ensure strong talent pipeline
- Investment in learning and development
- Co-ordinated Graduate and Apprenticeship programmes
- Senior leadership and development programmes
- Employee survey to obtain regular feedback

Pre-construction

Risk and Impact

- It is our vision to lead the Industry in our approach to project risk management which starts at the pre-construction stage.
- Failure to identify, estimate and manage accurately the key risks associated with the project deliverables, programme, price including the impact of inflation, and the contractual terms could result in financial losses.
- Forum group reviewing current processes and implementing additional/improved systems where required
- Ensuring lessons learnt applied through tender review processes

Mitigation

- Listening to our clients to meet and exceed their expectations in all areas including risk allocation
- Defined delegated authority levels for approving all tenders
- Focused, risk-based approach to tendering with margin and allowances commensurate with risk
- Systematic divisional and central reviews and challenge of the quality of our submissions and pricing
- Ensuring lessons learnt applied through tender review processes

Engineering and operational delivery

Risk and Impact

- Successful delivery of our complex engineering and construction projects is dependent on the effective implementation and maintenance of operational and commercial procedures and controls.
- Failure to deliver projects on time, budget and to an appropriate quality could result in contract disputes and cost overruns which in turn will impact our profitability and reputation.
- Deliver projects that demonstrate excellence in design and construction
- Ensure high quality standards through audit and application of lessons learnt
- Appropriate insurance policies in place

Mitigation

- Recruitment and retention of capable people and supply chain
- Procure quality components through sustainable and ethical sourcing

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Risk Management (continued)

<i>Risk and Impact</i>		<i>Environmental</i>	<i>Mitigation</i>
<p>We are very aware that construction has a significant effect on the environment and the communities in which we work. Adverse impacts on the environment and breaches of legislation can lead to environmental harm, reputational damage and enforcement action.</p> <p>We take our responsibility seriously in respect of limiting the environmental impact of the work we do, and, whilst we consider the impact minimal in the context of our business, this includes any potential impact on climate change.</p> <p>We assess the environmental aspects of our activities, products and services that we can control and those that it can influence, and their associated impacts, considering a life cycle perspective. VW UK recognises the importance of mitigating our adverse impacts on the environment. An environmental condition that can affect the organisation's activities, products and services can include, for example, climatic temperature change.</p>		<ul style="list-style-type: none"> • Culture, policy and strategy established by effective leadership • Board level focus on all environmental matters including monitoring of environmental KPIs such as carbon footprint, energy consumption and waste • Our integrated management system encompassing procedures for the protection of the natural environment • Our corporate responsibility framework and the setting of sustainability goals facilitates our responsible attitude towards playing our part in protecting the ecosystems in which we work and wherever possible enhancing the environment in which we work and live • Maintenance of an environmental management system which assesses environmental conditions which may affect our activities at both fixed offices and our construction projects • Interfaces and responsibilities that are understood and accepted by all, supported by behavioural programmes, inspection and audit 	
<i>Risk and Impact</i>		<i>Systems and processes</i>	<i>Mitigation</i>
<p>We are dependent on the quality of our processes, controls and systems as well as the continued availability and integrity of IT systems to record and process data.</p> <p>Failure to control, manage and invest in our systems and processes including the IT environment will result in us not meeting the future needs of the business in terms of expected growth, security and innovation.</p> <p>IT system failure arising from new system integration and/or implementation could result in lack of access to critical data.</p> <p>An attack on our systems and/or networks, to expose, alter, disable, destroy, steal or gain unauthorised access to or make unauthorised use of an asset could result in lack of access to critical data, operational disruption, adverse media coverage and loss of trust, fines/regulatory sanctions and third-party liability/class actions.</p>		<ul style="list-style-type: none"> • Continue Investing in systems and processes that enable efficient and effective operations • Clearly defined management systems, interfaces and responsibilities that are understood and accepted by all • Monitor and control all aspects of IT systems access and performance • Appropriate contingency plans to mitigate risk of systems loss • New systems are only deployed after full testing • Regular review and testing of data security controls • Established Cyber programme with robust security arrangements and active monitoring 	
<i>Risk and Impact</i>		<i>Adequacy of insurance</i>	<i>Mitigation</i>
<p>We maintain appropriate insurance programmes to mitigate against significant losses in line with general industry practice.</p> <p>Lack of adequate insurance cover could result in potential financial loss or penalties.</p>		<ul style="list-style-type: none"> • Suitable arrangements exist to underpin and support the operations and services • Regular review of our position with our broker and insurers to ensure that the optimum cover is in place 	
<i>Risk and Impact</i>		<i>Financial risk</i>	<i>Mitigation</i>
<p>It is essential to fully understand the financial position of our partners in all of our contractual relationships.</p> <p>Failure of our partners including financial institutions, customers, joint-venture partners and our supply chain could potentially affect short-term cash flows.</p>		<ul style="list-style-type: none"> • Due diligence including credit reviews of our clients, supply chain partners and other stakeholders • Insure credit where appropriate to do so • Procedures to monitor and forecast cash flow • Committed credit facilities to ensure we have adequate cash when required 	

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Risk Management (continued)

<i>Risk and Impact</i>	<i>Fraud</i>	<i>Mitigation</i>
Our Integrity Policy covers all aspects of ethical behaviour ensuring that all of our employees and supply chain are open and honest, our business ethically and morally strong and each of us is accountable.	<ul style="list-style-type: none"> Compliance Officer reporting in to the Board Specific preventative and review controls, reviewed regularly by the Board Zero tolerance attitude towards fraud and unethical behaviour Integrity clearly stated as one of our core values Compulsory training programmes for different levels of the organisation 	
Damage to the reputation of the business through poor conduct and acts of fraud, bribery, corruption, or anticompetitive behaviour can all adversely impact corporate reputation and financial loss.		

<i>Risk and Impact</i>	<i>Political, market and economic risk</i>	<i>Mitigation</i>
Political, market and economic factors play a significant part in investment decision making for our clients as well as pricing and availability of our supply chain and other partners.	<ul style="list-style-type: none"> Regular reviews to ensure that we are not overly exposed to any one aspect of market risk and appropriately responding to changes in legislation and policy Actively engage with our industry peers, financial partners, clients and supply chain to ensure that we are aware of, and anticipating, changes in our market and the economy 	
Changes in the economic environment, government policy and regulatory developments may impact on the number of new projects in the market, and the cost of delivering those projects, which in turn may impact on the profitability and cash flow of the business.		

<i>Risk and Impact</i>	<i>Proposed change in the UK's EU status</i>	<i>Mitigation</i>
The decision to leave the European Union has resulted in a period of uncertainty for the UK economy and increased volatility in financial markets. A no deal Brexit scenario could influence consumer confidence, which in turn could affect and lead to lower sales volumes.	<ul style="list-style-type: none"> The UK Board is actively monitoring the potential impact of the UK exiting the EU including the potential for market stimulation by the UK government, freedom of movement of labour, impact on the supply chain and commodity prices and we will adapt our strategy if necessary The strength of the overall orderbook should enable the mitigation of any short-term uncertainty impacting on tender delays The British Government continues to see infrastructure as the foundation on which the economy is built, and the pipeline across general infrastructure, energy, water and transport sectors is expected to generate significant growth across the UK. This creates extensive opportunities for our business, which is well positioned in a number of key infrastructure sectors 	
Specific risks include: <ul style="list-style-type: none"> the potential for increased material costs as a result of exchange rate differences on materials imported; potential delays to construction programmes from delays in acquiring and receiving materials; and skill deficiencies arising from difficulties in obtaining EU workers within the supply chain. 		

<i>Risk and Impact</i>	<i>Ability to operate during a pandemic</i>	<i>Mitigation</i>
A Global pandemic could have the potential to disrupt business continuity either as a result of illness of employees or our supply chain, or isolation to avoid illness including forced shut down of work sites for a prolonged period of time.	<ul style="list-style-type: none"> Business continuity measures in place to react and adjust to any event which may disrupt the ordinary course of business Technology enabled people with numerous remote working options to enable core support to continue during any enforced shutdown Enter dialogue with clients to ensure a minimum of disruption and reduction to revenues Review options for government support and apply where relevant to enable business continuity and maintaining workforce when activity has reduced or in some cases ceased Good cash balances and measures in place to manage short term cash flow challenges through work site closures and corresponding reduction of revenues The health of our people is paramount and we have developed procedures in line with government recommendations to limit the spread of infection. Ensure that all appropriate measures are taken to safeguard the workforce whether on site or in offices 	
Specific risks include: <ul style="list-style-type: none"> The operations of the business may not be able to continue due to inability to travel to normal place of work; Adequate digital solutions may not be in place; Loss of income due to reduced economic activity may have a significant impact; Cash flow challenges due to the change in circumstances; and Challenges in putting in place adequate working facilities to respect any social distancing or other new health and safety requirements. 		

<i>Risk and Impact</i>	<i>Security/terrorist threat</i>	<i>Mitigation</i>
Protestor action, terrorist attack affecting our sites or break ins could result in significant injury/loss of life, adverse media coverage, operational disruption and significant impact on revenue and costs.	<ul style="list-style-type: none"> Business continuity measures in place to react and adjust to any event which may disrupt the ordinary course of business. Insurance is in place in respect of damage Close collaborations with clients (who usually hold protestor risk in construction contracts) 	

We have reviewed the above risks, considered the potential impacts and on balance, believe that we have sufficient mitigations in place.

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Section 172(1) statement

This statement has been prepared solely to provide information to assess how the Directors have performed their duty to promote the success of the Company. Any forward-looking statements are made in good faith, based on the information available up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

The Board continues to take account of the impact of its decisions on all of our stakeholders, who include employees, customers, suppliers, shareholders, regulators, governments, Charities and local community. The Board believes that part of that responsibility includes understanding the views of those stakeholders and building constructive relationships with them. Further details on how we communicate and engage with our different stakeholders is included in the relevant sections below. During the year we have continued to ensure that the health, safety and wellbeing of our people and stakeholders has remained central to everything we do.

The Directors have acted in good faith and in a way that they are most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

(a) The likely consequences of any decision in the long term

Strategy

Despite the challenges in the market over the past year, our strategy of prioritising cash-backed profits ahead of turnover growth, and of maintaining our measured and selective approach to bidding and winning work has continued to serve us well. Our careful, measured approach has given us credibility among our peers and enabled us to flourish. We pride ourselves on being grounded, stable and dependable. As well as being selective on contracts, and ensuring robust governance, we're also strong on cost control, and our strategic investments in the future are considered and targeted.

Our business model is formed of four pillars of growth; Exceeding expectations; Driving innovation and digital transformation; Encouraging entrepreneurship; and Enhancing collaboration. By continuing to deliver successfully on these, we will meet our business goals to satisfy our clients' requirements and gain advantage in the marketplace. The pillars are underpinned by the foundations on which our successful business is built, and on which our strategy depend. These foundations give an explicit focus to operational and engineering delivery, risk management, corporate responsibility, people, systems and processes.

Our core values sit alongside the business model and guide our decisions, actions and behaviours. These are; Integrity; Passion; Innovation; Collaboration; and Winning. Delivering to the highest standards is simply embedded in our way of working, and our goal is to continually exceed our clients' expectations and deliver advantage together. We promote a culture which is authentic, honest and dependable. We have a selective approach to taking on new work, which means that we bring our absolute best in the projects we deliver.

Board governance structure

Our Board decision making processes and governance structure ensure that we are able to make appropriate and informed decisions rapidly within a fundamental framework of sensible checks and balances. Our main business units are represented on the VolkerWessels UK Board and the wider Executive committee which means that our Board decisions constantly consider the needs of all parts of VolkerWessels UK. All decisions to enter into transactions will be reviewed by at least two people to ensure independence and our delegated authorities are set out clearly within each company with a number of structured review processes for new bids and tenders, entering into new markets, project risk control and governance, across our business.

Our Operations Board plays an important role in focussing on excellence in operational delivery. It is a cross-business Leadership Team, which helps advise the business and takes action on matters that have a potential impact on our operations. Our Strategic Transformation Programme Board bring together our digital and technology developments and ensure that our approach to improvement is rooted firmly in ensuring that our people are at the forefront enabling us to be powered by data, driven by people.

Understanding the market in which we operate

Business Unit Review meetings provide a forum for the VWUK Board to understand and challenge Business unit leadership on areas such as customer engagement and satisfaction, and operational and commercial performance. Market outlook is a standing item on the agenda for each of these meetings and the Board regularly assess the impact of external factors on their long-term business strategy.

External Factors, for example of a political, economic and technological nature, are continuously monitored by the Board ensuring short- and long-term implications are understood, and strategy adjusted accordingly. The breadth and diversity of the Group provides good resilience to cope with fluctuations in particular markets which may be caused by the factors above.

Corporate Responsibility

We are committed to maintaining the highest standards of health and safety, sustainability and integrity throughout all our business activities. The board ensures that its decision making enables and supports this objective in both current activities and in the long term, through active monitoring, challenging and review of key elements of the strategy which are set out in more detail in the relevant sections below.

All aspects of Corporate Responsibility are high on the Board agenda and regular reporting is reviewed, interrogated and further actions and initiatives delivered through a process of continuous improvement. The Health, Safety and Sustainability leadership groups, which are comprised of Board members from VolkerWessels UK and its business units, ensure delivery of this continuous improvement programme and maintain oversight of the VW UK approach to health and safety, sustainability and environment.

VolkerStevin Limited

Strategic Report

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Section 172(1) statement (continued)

a) The likely consequences of any decision in the long term (continued)

Dividend policy

Our dividend policy is to consider first and foremost the financial strength of the individual entity, ensuring that where capital investment or additional working capital requirements are identified, that those are satisfied. We would expect to pay dividends up to 100% of net profit having taken those business priorities first into consideration.

(b) The interests of the company's employees

At VolkerStevin Limited, we are proud of our people and their commitment to consistently delivering excellence to our clients. We strive to create a balanced and sustainable business to the benefit of all stakeholders.

All of our people are given the opportunity to develop and grow, with significant investment being made in our workforce to learn new skills. We are focused on providing diverse access to a broad range of learning routes to ensure our workforce have the required skills to support the growth of the Company.

We are also investing significantly in our People systems, in order to attract and retain the best talent available and support the employee life cycle as comprehensively as possible.

A clear strategy for People

To continue to deliver a successful and growing business, it is vital that as a Company we are able to attract and recruit the top talent in our sectors, engage and retain our workforce at all levels and develop the core skills required to ensure we maintain a successful business. The Board actively drive this strategy through a number of focussed and specific actions delivered across the group and within each business.

This year we have developed and launched our Employee Value Proposition to enable access to the key talent throughout our sectors, and have adopted the latest resourcing tools, including social media, to broaden the range of candidates we engage with. We are also investing significantly in our People data resources and reporting tools to improve our data analysis and decision-making capability. We regularly benchmark our reward and recognition to ensure we are competitive in our markets and are actively exploring ways of creating more agile and flexible working practices as we focus on creating a truly inclusive culture.

Health and Safety

Central to our corporate responsibility approach is having a culture where our people consistently demonstrate the right behaviours and apply best practice, especially as it relates to health and safety, supported by senior manager commitment and good governance. This is demonstrated by:

- Health and Safety is the first item on the agenda at the monthly SMG.
- A HSEQ steering group meet quarterly with Director level representation from each business stream.
- A Safety Ripple working Group meets monthly to work on continual improvement in our behaviour change approach.
- Serious incident reviews are undertaken, co-chaired by the Head of HSEQS and the Business Unit Director where there are incidents with potentially serious consequences.
- Senior Manager tours focused on workforce engagement across every part of the business.

We continually strive to prevent work related injuries and the ill health of our employees and anyone associated with our activities, while also improving their wellbeing. We maintain the right culture, combined with effective systems, to deliver quality projects in a safe and sustainable manner.

Our behaviour change programme has now been running for four years and continues to be the cornerstone of continual improvement on health and safety in the business and across our sites. The core principles are:

- Positivity
- Inclusion
- Future/solution focused

The success of the approach is evident through our continued record low accident frequency rate for the second year running. The safety ripple programme has also been recognised by being finalist in two nationally industry recognised awards.

We now have over 150 safety champions in the business and the programme is integrated into the way we work on all our projects. We held a Safety Ripple week and safety ripple awards, which further embedded the senior management commitment Safety Ripple, along with all senior managers making individual commitments. These are displayed on site.

Our continued high standards of health and safety have also been awarded the ROSPA Gold medal, awarded for ten consecutive years of good governance and performance.

This year has also seen an increased focus on wellbeing, with 26 mental health champions across the business, and the role out of the "Keeping the Pieces Together" workshop.

In 2019 we achieved significant, and our most successful, reductions across the range of safety performance indicators. These results reflect our lowest recorded year-end safety results and our best safety performance to date, well below industry averages.

Maintaining the mental and physical health of employees is the cornerstone of our occupational health strategy, delivered through a directly employed occupational health team. In addition to health surveillance, we place particular focus on raising awareness and the importance of maintaining good mental health. This includes training for line managers and supervisors on tackling health risks specific to construction while providing any support and guidance required. Volunteer Mental Health Champions from site and office teams have been provided with two days of training in how to help their colleagues who may be struggling with stress, anxiety or personal problems, and our monthly programme of targeted wellbeing initiatives continues to go from strength to strength in providing advice on diet, work/life balance and exercise.

Section 172(1) statement (continued)

(b) The interests of the company's employees (continued)

Relevant statistics – health and safety

- Accident Incidence Rate (AIR)¹ of 67
- 17% reduction in our Minor Injury Frequency Rate (IFR)²
- 19% reduction in our All Reported Injury Rate (ARI)³
- Service Strike Rate (SSR)⁴ of 0.30
- 25% reduction in the total number of incidents
- 13% decrease in hazard / near miss / close call frequency rate, over 8,300 reports raised
- VV UK achieves FORS certification
- One RoSPA Gold Medal
- 15 drop-in-clinics conducted by occupational health, with over 350 attendees

¹ Accident Incidence Rate (AIR) = RIDDOR reportable injuries (excluding dangerous occurrences) are used in the Accident Incidence Rate (AIR) calculation. Accident Incidence Rate (AIR) = (number of RIDDOR reportable injuries + average headcount) x 100,000.

² Minor Injury Frequency Rate (IFR) - Includes all minor injuries and accident book entries not reportable under RIDDOR. Minor Injury Frequency Rate (IFR) = (number of minor injuries + total work hours) x 100,000.

³ All Reported Injury Rate (ARI) - Combines RIDDOR reportable injuries and minor injuries to give an all-encompassing indicator. All reported injury rate = (all injuries + total work hours) x 100,000.

⁴ Service Strike Rate (SSR) - Service Strike Rate (SSR) = (number of service strikes + total work hours) x 100,000.

We continue to review employee performance on a regular basis and agree individual development plans for all staff. Our workforce is encouraged to seek development opportunities in all areas of work activity, with a focus on learning 'on the job' rather than relying only on formal training courses. We are also investing in more active learning delivery channels, utilising our available technology, to help our staff access the training they need when they need it.

This year we have further developed our core behavioural and technical competencies, with a focus on more specialist functional requirements. The electronic development and performance review system within our learning management system (LMS) is now embedded across the Group. The wide range of disciplines across all VolkerVessels UK businesses provides an opportunity for new talent to gain experience on a variety of exciting projects. We actively promote opportunities internally to make sure team members gain the right experience on some of the largest infrastructure projects in the country.

We work closely with industry based educational organisations such as the Construction Industry Training Board (CITB), Chartered Institute of Building (CIOB) and the Institute of Civil Engineers (ICE) to help our people achieve professional accreditation. Through these relationships we are able to identify the right work placement candidates, apprentices and graduates who are in the process of getting qualified. Many of these individuals ultimately work with us permanently.

Employee engagement

We regularly measure the engagement levels of our workforce with all employees provided with the opportunity to share their thoughts on the company and how they feel about working for VolkerVessels UK. It is very encouraging that we have seen a consistent improvement in engagement levels year-on-year. Our overall staff engagement is significantly higher than our benchmark companies. For 2019 our engagement score was an impressive 86%, with all key engagement drivers demonstrating improvement since last year.

Each year, every Business Unit and department reviews the feedback from their area and sets out a clear plan to tackle specific issues raised by their employees. These departmental plans are supplemented by company and group wide plans, each of which are then monitored and tracked through to implementation. The Board takes a particular interest in ensuring that these improvements are made and reviews implementation during the monthly Business Unit reviews held for each business. During 2019 a number of improvements were made as a direct result of the employee survey feedback. Our extension at our Hoddesdon Head office was completed in April 2019 and we expanded our premises in Doncaster and London which enabled us to improve facilities for our teams. Areas of focus for 2020 will include improved flexibility in the ways we work, recognising the performance of our employees and communicating the future plans for the company in an effective and timely manner.

Relevant statistics - employee engagement

- Employee survey score across 4 key engagement metrics of 86% (2018: 85%), 15 percentage points above the benchmark
- 9 in 10 employees are proud to work at VolkerStevin Limited

How the Board engages with employees

The Board engages with employees in a number of ways. There are regular informal meetings as the Board are all very involved directly in the direct running of specific areas of the business. There are also a number of employee forums which are open to all such as our digital disruption network, and each business area also holds staff forums where all staff are invited and encouraged to take part in interactive sessions and to find out more about what is going on their business.

We also survey our workforce in order to understand their thoughts on a number of issues. Recent examples include the annual engagement survey and the investors in Diversity survey.

Section 172(1) statement (continued)

(b) The interests of the company's employees (continued)

The Board's focus on future skills and new talent

VolkerStevin Limited recognises the challenges in the industry to fill the skills gap, especially as the government's infrastructure plan is initiated. Our response is to continue our apprentice and graduate programmes. We currently employ 83 graduates and 135 apprentices across the VolkerWessels UK Group. The UK Group are members of the 5% club, which is a group of employers committed to earn & learn as part of building and developing the workforce they need to play their part as a member of a socially mobile, prosperous and cohesive nation. The Club exists to help its members and all employers increase further the number, quality and range of earn & learn opportunities across the UK. By joining the 5% Club, members aspire to achieve 5% of their workforce in earn and learn positions (including apprentices, sponsored students and graduates on formalised training schemes) within five years of joining. VolkerWessels UK Group currently have 8% of our workforce in earn and learn positions within five years of joining. We support the Careers and Enterprise Company and other similar organisations, providing volunteered help and advice to a number of schools and colleges to promote engineering and construction careers and raise awareness. We encourage our employees to become STEM Ambassadors and are proud to have numerous members of this programme. Each business within the UK Group is charged with developing and implementing a clear plan to ensure there are long term solutions for future skills requirements in place and the Board reviews this at a strategic level, ensuring that there is a balanced focus with a particular focus on supporting training and ensuring opportunities are fully available for all.

Investment in training and development

Our emerging talent programmes continue to grow, and we now offer a range of apprentice, industrial placement and graduate level opportunities. We have developed successful strategic partnerships with key education partners, as well as introducing new qualification routes. For example, a new Customer Service Apprenticeship was launched this year for staff working in our support functions. Investing in emerging talent is seen as a key business priority. Beyond these emerging talent programmes, the VolkerWessels UK Group have developed a full suite of management training which takes our employees on a journey from first line managers to the executive leaders of tomorrow. There is also a large investment in behavioural safety, compliance and professional training and a suite of e-learning covering topics ranging from integrity to IT. Relevant statistics - Investment in training and development

- We currently employ 83 graduates and 135 apprentices across the VolkerWessels UK Group
- In 2019 employees across VolkerStevin Limited attended 1,537 days of formal training courses

Equality, diversity and inclusion

VolkerWessels UK is committed to creating a diverse and inclusive environment for all those we work with: our dedicated and ambitious people, our supply chain and partners, our clients and local stakeholders. We are proud of who we are and the inclusive way we work, with a collective goal to provide quality and add value to our clients. We understand that a diverse workforce is key to the future of our business and our focus is on building valuable experienced teams and attracting a diverse pool of talent. During 2019 we were awarded the Investors in Diversity accreditation and we were honoured with two awards - Best Engineering Company and Most Improved Company - in the recent Investors in Diversity UK wide awards.

Equality, diversity and inclusion for us is:

- Making sure every one of our current and future employees feel welcome, valued and respected and are motivated to perform at their personal best
- Creating high performing teams by bringing together different opinions and perspectives to deliver better solutions for our clients and opportunities for our people and our organisation
- Driving continuous improvement processes to maintain and enhance a diverse and inclusive environment
- Embedding a culture of diversity and inclusion through consistent key messages across our business
- Encouraging and attracting people from all ages and backgrounds through local and national recruitment in addition to engaging in education, graduate and apprenticeship programmes.

We are pushing forward the agenda for Equality, Diversity and Inclusion and have appointed a permanent Head of EDI who, with the support of the Board and a steering group which is chaired by a member of the Board, is actively challenging the business to improve equality, diversity and inclusion for everyone. Our teams are passionate and motivated to drive this agenda, and during 2019 we achieved our Investors in Diversity accreditation. This is also being supported by the roll out of our bespoke EDI training across the business, the creation of a network of champions empowered to act locally and the inclusion of EDI competencies in our development and performance reviews.

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Section 172(1) statement (continued)

(b) The interests of the company's employees (continued)

Gender pay gap

As set out in the VolkerWessels UK Gender pay gap report, we recognise that in our particular industry of engineering, there is a significant improvement that is required to increase the number of senior women across the industry. It is worth remembering that the definition for 'gender pay gap' is the difference in average earnings between men and women across the business, as opposed to equal pay. The Board actively reviews and monitors remuneration practices to ensure a fair approach is adopted across the company. As a major player in infrastructure and construction across the country, VolkerWessels UK is particularly impacted by the national averages for men and women working in the industry. Led by the Board, we are working with the wider industry to encourage more women into construction and we are looking at a number of ways to enhance the representation of women across our business. An important starting point is to ensure that we attract and develop a more diverse workforce.

During 2019, we have more than doubled our number of female apprentices, and we have worked to enhance our schools' engagement programme, aimed at raising awareness of careers in civil engineering, construction and associated professions such as quantity surveying. However, there is still more to be done to address the gender pay gap, and we will broaden our talent pools and identify transferable skill sets to

help increase our female population in middle management and senior level roles.

Ensuring adequate and competent resources

The Board receives and reviews holistic business reports from each area of the business based on the KPIs most pertinent to them. At the top of the agenda on every meeting is safety as the health, safety and wellbeing of our people is our top priority. Each project and programme is monitored locally in terms of its delivery and progress, the quality of the work, the productivity of the sites and financial performance and also by the board as part of the wider business reviews. We ensure through our resourcing approach that we have the ability to direct our resources to address any issues and ensure that we are positioned for success.

(c) the need to foster the company's business relationships with suppliers, customers and others

Supply chain management

Our supply chain partners form an integral part of the Company's commitment to offering our clients a quality service, in line with our Strategic pillars of growth. We establish mutually rewarding, ongoing relationships with our suppliers and sub-contractors, and today work with many organisations with which we have a long and successful history of co-operation. Our supply chain is thoroughly assessed against key indicators including health and safety performance, design and technical capability, financial strength and sustainable ethical working practices.

The Board approves large orders in accordance with an agreed authorisation matrix. Business to Business meetings are held with our largest suppliers and subcontractors prior to the start of a large project and periodically, as appropriate.

During the year, six supply chain forums were held across the UK Group businesses attended by circa 600 businesses. In addition, we held around 20 specialist workshops with suppliers and staff in attendance promoting specific contracts, innovation or areas of mutual interest. Many more contract focused meetings and communications are held on a one to one basis as part of our strategy to closely engage with and support our supply chain.

Since May 2013 VolkerWessels UK has been compliant with the Prompt Payment Code, sponsored by the Department for Business, Energy & Industrial Strategy. All large entities within the Group are signatories of the code and smaller companies comply wherever possible. Under the code we undertake to:

- Provide suppliers with clear and easily accessible guidance on payment procedures
- Pay suppliers on time, within the terms agreed at the outset of the contract and without attempting to change payment terms retrospectively on correctly presented invoices
- Ensure there is a clearly communicated system for dealing with queries, complaints and disputes
- Advise promptly if there is a valid reason why an invoice will not be paid to the agreed terms
- Encourage best practice
- Request that our suppliers encourage adoption of the code throughout their own supply chains

Relevant statistics - supply chain management

- Supplier payment performance for the year showed that the average time to pay an invoice was 39 days and 71% of invoices were paid within the agreed terms with suppliers.
- Since changes were made in July 90% of invoices were paid within 60 days.

VolkerStevin Limited

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Section 172(1) statement (continued)

(c) the need to foster the company's business relationships with suppliers, customers and others (continued)

Customers

The VolkerWessels UK Board has an established framework whereby business units are required and empowered to develop their own business plans for subsequent review and endorsement by the Board.

Each business develops a five-year plan setting out, amongst other things, its proposed sector focus and customer base. From these plans we identify key customers and establish relationship management plans in order to coordinate our interactions and monitor customer satisfaction levels. Coordination of customer interactions is especially important where customers are common to more than one of our businesses, such as in the Defence sector. A significant volume of VWUK's work is for public sector customers, such as the Environment Agency, Highways England and Defence Infrastructure Organisation (operating arm of the Ministry of Defence), several of which have awarded framework contracts that provide a solid baseload of work for VWUK business units.

Lookahead business pipelines are reviewed at both a business level and Board level where predicted trends are evaluated which may influence future business direction. A common governance process has been established across the Group whereby opportunities must, in the first instance, meet stringent selectivity criteria. Thereafter, additional review and approval mechanisms are in place to ensure risks are understood and mitigated.

Regular customer contact is undertaken at all levels through the organisation, where we seek to understand customer objectives and priorities, and gather feedback on our performance. This guides the development of our solutions and highlights opportunities for investment and further research and development (R&D). Consistent with one of our core values, Innovation is integral to us maintaining a market leading position in our chosen sectors. All employees receive mandatory training using our Integrity Suite of learning modules in areas such as anti-corruption and modern slavery.

Customer satisfaction is measured on a more formal basis through tailored interviews, the results of which are fed back to senior management and actions implemented as necessary.

In the year, the Group has further developed its key account management plans for strategic customers in highways, rail and defence. These plans provide a structured approach to developing relationships at all levels, from Board members to project teams.

Other Stakeholders

We engage with our Shareholders and broader group through many informal as well as formal routes with a quarterly business review and reports. Our objectives are set and agreed through our 5-year rolling business planning process and we review our sustainability and other non-financial targets as well as financial targets with them on a regular basis.

We maintain strong relationships with our financial stakeholders with both our bankers and our bonders, through regular and structured meetings, transparent reporting and ongoing informal relationships.

Members of the Board participate in numerous industry bodies and as a key member of Build UK we enable our industry to be appropriately represented as a whole.

(d) The impact of the company's operations on the community and the environment

Giving back to the community

At VolkerStevin Limited, we are committed to making a positive impact in the communities where we work. We strive to leave a legacy, not only through the projects that we deliver - be they infrastructure or buildings - but also a less tangible legacy by supporting local communities, through engagement with schools, through charitable activity and by supporting local organisations.

Our offices and sites work hard to embed themselves in the communities in which they work. We respect people and their local environment. Our aim is to add value to our society, inspire others and support colleagues, clients and suppliers in their own efforts to share time, skills and resources in their chosen way.

Our dedicated customer experience team engages with communities across the country to minimise the impact of our construction works and maximise the social value we add. We recorded 1,867 residents' visits to our Customer Visitor Centres in 2019 to meet our project teams, see how works are progressing by viewing the latest aerial photography, or simply have a brew and a chat. We also delivered 38,385 letters and newsletters to help keep residents informed. At Anchorsholme, on the Fylde coast, the neighbouring bowling club appreciated the site team's efforts to the extent that they made a 'thank you' presentation to the staff at site and in our head office.

Our Community Fund, which donates money to charities that our staff actively support, allied to the efforts of sites around the country raised over £12,000 to support charities, community events and societies. Our customer experience team has organised a range of activities including coffee mornings, hikes up Scafell and Snowdon, food bank collections and Christmas parties for local and national charities. They have led volunteer groups from our project teams in enhancing the local communities in which we work, for example by carrying out beach cleaning and litter picking days and engaged local school and community groups through poster competitions and safety talks.

We work collaboratively with our clients to deliver bespoke customer and community programmes which is recognised and appreciated by our clients. Our team received 205 'WOW' awards from United Utilities in 2019.

We delivered Xceed Customer Service training to over 100 office-based staff as part of National Customer Service Week, highlighting the importance of customer service in everything we do and making each individual aware of their potential.

We provide careers advice and support to local schools and higher education facilities, to encourage more people into the wide range of careers construction has to offer. We actively support STEM and Women in Construction events, with several employees volunteering their time and expertise to act as STEM Ambassadors. Chris Hudson has been appointed as Senior Vice-Chair of the North West branch of the Institution of Civil Engineers and we look to support the efforts of industry bodies wherever possible.

VolkerStevin Limited

Strategic Report

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Section 172(1) statement (continued)

(d) The impact of the company's operations on the community and the environment (continued)

Our environmental impact

Our business strategy seeks to ensure ongoing environmental, social and business sustainability. Construction has a significant effect on the environment. We continually strive to be as socially and environmentally responsible as possible, maximising opportunities for enhancement and mitigating adverse impacts on the environment.

In this current uncertain environmental and economic climate, our capacity to endure, be agile and be resilient will be fundamental to our long-term growth and our ability to future proof our business. Notably, the world is facing a climate emergency. Climate change is progressing even faster than the world's top scientists have predicted and is outpacing our efforts to address it. Bold action with far greater ambition than ever before is needed to address climate change if we are to meet the goals of the Paris Agreement. We will build this adaptive capacity by making decisions informed by our inherent culture to do business in the right way, as well as recognising that social and environmental risks have interdependencies that touch every part of our business and our supply chain.

In 2020 we will consolidate our achievements from the past decade and launch our refreshed sustainability strategy. 2020-2030 will be our 'Decade of Action'. We have built on our existing foundations and sound culture and have created a framework that supports our workforce and supply chain in understanding VolkerWessels UK's desire to grow responsibly, with respect for communities and the natural environment, and to leave a legacy we are proud of.

Being a responsible sustainable business embraces everything we do, be it safety, quality, the way we conduct ourselves, the way we respect our surroundings and the way we preserve the future for ourselves, our families, our colleagues and our communities. This framework builds on existing great foundations, aligns our collective ambitions, and enables us to unlock the social value in our operations.

The three pillars of our responsible and sustainable business are:

- People: Putting people at the heart of our approach
- Planet: Protecting and enhancing the natural environment
- Purpose: Being a trusted, forward thinking and respected business of choice

Our key areas of focus within these three pillars are:

- Climate, Energy and Emissions: Translating and taking positive action to reduce or, wherever possible, eliminate our adverse impacts on climate change.
- Responsible Management of the Environment: Environmental risks and opportunities will be managed professionally, responsibly and innovatively.
- Circular Economy: A fully embedded approach to a circular economy which aims to design for sustainability, minimise waste and make the most of resources.
- Sustainable Supply Chain and Ethical Procurement: To operate in a fair and ethical manner and publicise our desire to work alongside a network of likeminded supply chain partners.
- Education and Employability: Raise awareness of the opportunities that exist within the construction industry and ultimately promote VolkerWessels UK as the employer of choice.
- Equality, Diversity and Inclusion: We will ensure that VolkerWessels UK is thoroughly inclusive of people from all lifestyles and enriched by a diversity of perspectives, cultures and backgrounds, characterised by fairness and equality of opportunity
- Charity, Volunteering and Community Engagement: Established and meaningful relationships with charitable bodies and local communities which provide mutually beneficial opportunities.

We maintain clearly defined management systems, interfaces and responsibilities that are understood and accepted by all our people and those working with us. It is imperative we maintain a systematic approach to improving business performance in order to achieve our objectives. This includes managing and optimising our activities, to make our processes more effective, more efficient and more capable of adapting to an ever-changing business environment.

Specific VolkerStevin Limited statistics - sustainability

- 97.9% of waste diverted from landfill
- Partner member of the Considerate Constructors Scheme with an average score of 42.14 out of 50 across our projects in 2019 (based on 2 site visits)

Relevant VolkerStevin Group statistics - sustainability

- Planet Mark™ Certificate¹ achieved for continuous improvement in reducing carbon emissions from Planet First, an international sustainability certification organisation¹
- Our 2019 normalised emissions² decreased 29% per £1m revenue, compared to 2018
- 3 Considerate Constructors Scheme (CCS)³ awards: (Ipswich, Tidal Barrier, Mytholmroyd, Dover)
- 3 CEEQUAL Exceptional Achievement Awards: (2*Colwyn Bay, VSD the Avenue)

VolkerStevin Limited

Strategic Report

for the year ended 31 December 2019

Section 172(1) statement (continued)

(d) The impact of the company's operations on the community and the environment (continued)

¹ The Planet Mark is a certification programme that recognises commitment to continuous improvement in sustainability. The Programme helps to measure and reduce carbon emissions, energy and water consumption, travel, and the amount of waste members create. Holders of The Planet Mark Business Certification are required to measure and reduce their annual carbon emissions associated with business operations. Each year the new carbon footprint becomes the next year's baseline, thus driving continuous improvement and helping generate our outstanding results.

² Normalised data that reflects a like-for-like comparison on the data and emission sources between 2018 and 2019. This year's carbon footprint includes emissions from natural gas, on-site fuels, fleet, electricity, water, waste, business travel, hotel stays, cement, aggregates, timber, and paper consumption. The carbon footprint on a normalised basis excludes emissions from office water supply and non-Tarmac procured materials from this year's figures, as they were not included in the 2018 report.

³ The CCS assessments are an industry standard. CCS is a not-for-profit, independent organisation founded to raise standards in the construction industry. Construction sites, companies and suppliers voluntarily register with the Scheme and agree to abide by the Code of Considerate Practice, designed to encourage best practice beyond statutory requirements. To establish compliance, and recognise performance beyond compliance, Scheme Monitors will visit offices, depots and individual projects or work areas, and will use the appropriate Checklist to confirm a score against each of the five Code headings – appearance, community, environment, safety and workforce.

(e) The desirability of the company maintaining a reputation for high standards of business conduct

Integrity

Maintaining a reputation for high standards of business conduct is of paramount importance to us and we expect all employees and all members of our supply chain to behave with integrity at all times. Indeed, integrity is one of our core values and this underpins all of our decisions' actions and behaviours.

Every one of our employees and those who work closely with us are accountable. We expect our people to be open and honest, to run our business ethically and to be morally strong. Long term success is dependent on the recruitment, development, wellbeing and retention of exceptional people that share the right core values and culture.

We have a zero-tolerance attitude towards fraud and unethical behaviour. We consistently maintain effective oversight and scrutiny processes, carried out with independence and impartiality. This is supported by a full suite of policies and training to ensure that all our activities are conducted to the highest ethical standards.

Our integrity policies (which include expected behaviours in relation to all matters relating to integrity, anti-bribery and corruption, data protection, equality, diversity and inclusion, modern slavery, fraud and whistleblowing), together with our core values, set out the standards and policies under which all of our employees must operate. These combined with our corporate responsibility commitments, provide the framework and guidance for operating in an open, honest, ethical and principled way. Our core values and policies explain how we should behave in the workplace, the marketplace and the communities in which we operate. They also describe how we should handle various legal and ethical matters. Our suppliers and contractors are required to comply with the standards of behaviour set out in these policies via suitable provisions included in their contracts with us. All members of staff, including Directors must complete mandatory online integrity training and our suite of policies relating to integrity matters have all been approved by the VWUK Directors.

Our decision making is linked to ethical values, compliance with corporate, legislative and other requirements, and we are always prepared to seek further improvements.

Whistle blowing

VolkerWessels UK is committed to conducting the business with honesty and integrity which we believe is necessary to ensure the future success of the company. It is therefore important to us that any malpractice in relation to the activities we undertake is reported and properly dealt with. We therefore encourage all individuals to raise concerns that they may have about the conduct of others in our business or in the way that the business is run via their line management or through our whistleblowing hotline. Any concerns raised are investigated and dealt with by our UK compliance officer who reports in to the VWUK Board.

Our behaviour defines our reputation and we urge employees and stakeholders to raise concerns and any situations where they believe any of our integrity policies have been breached. This can be done via our whistleblowing hotline or through contacting our compliance officer directly.

(f) The need to act fairly as between members of the company

VolkerWessels UK is wholly owned by VWS International B.V. and therefore acts solely for its 100% shareholder. As a member of the Dutch group, Royal VolkerWessels NV, VolkerStevin Limited also applied the internal regulations set out by the group to ensure that it acts fairly as between members of that company.

Approved by the Board of Directors and signed on behalf of the Board



RD Coupe
Director
22 December 2020
VolkerStevin Limited
Company registered number: 00288392

Hertford Road
Hoddesdon
Hertfordshire
EN11 9BX

VolkerStevin Limited

Directors' Report

for the year ended 31 December 2019

The Directors present their annual Directors' Report and audited financial statements for the year ended 31 December 2019.

Dividends

The Directors do not recommend the payment of a final dividend (2018: £nil). An interim dividend of £500,000 was paid during the year (2018: £nil).

Directors

The Directors who held office during the year and to the date of signing this report were as follows:

RD Coupe
NA Connell
AR Robertson
L Taylor
AR Towse
MG Woods
VolkerWessels UK Limited

Directors' indemnities

The Company has arranged qualifying third-party indemnity provisions for the benefit of its Directors which remain in force at the date of this report.

Employees

The Company is an equal opportunities employer.

The culture of the Company ensures that staff are trained to very high standards with each individual's technical and development skills continually being reviewed and enhanced. This culture has ensured that the Company has the management skills available to maintain growth underpinned by a robust internal promotion scheme.

The Company's policy is to consult and discuss with employees matters likely to affect employees' interests. The Company also encourages the involvement of employees in the Company's performance in many ways including their remuneration package.

The Company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, whenever possible, for retraining employees who become disabled to enable them to perform work identified as appropriate to their aptitude and abilities.

Employee Engagement

For further detail on this, please refer to the Section 172(1) statement, section (b) on page 13.

Business relationships

For further detail on this, please refer to the Section 172(1) statement, section (c) on pages 15 to 16.

Political and charitable contributions

The Company made knowledgeable charitable donations of £6,278 in 2019 (2018: £768). The company made no knowledgeable political donations in 2019 (2018: £nil).

Other disclosures

Disclosures in respect of the future developments of the Company and going concern are given in the Strategic Report. Information on financial instruments, financial risk management and exposure is given in note 19 of these financial statements.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

VolkerStevin Limited
Directors' Report
for the year ended 31 December 2019

Auditor

Deloitte LLP have indicated their willingness to be reappointed for another term and arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an annual general meeting.

Approved by the Board of Directors and signed on behalf of the Board



RD Coupe
Director
22 December 2020
VolkerStevin Limited
Company registered number: 00288392

Hertford Road
Hoddesdon
Hertfordshire
EN11 9BX

VolkerStevin Limited

Directors' Responsibilities Statement

for the year ended 31 December 2019

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the members of VolkerStevin Limited for the year ended 31 December 2019

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of VolkerStevin Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the members of VolkerStevin Limited for the year ended 31 December 2019

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception


Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Makhan Chahal ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

22 December 2020

VolkerStevin Limited
Income Statement
for the year ended 31 December 2019

	<i>Note</i>	2019 £000	2018 £000
Revenue	3	133,731	206,977
Cost of sales		(128,672)	(197,058)
Gross profit		5,059	9,919
Administrative expenses		(7,273)	(8,839)
Operating (loss)/profit	4	(2,214)	1,080
Financial income	7	63	33
Financial expense	8	(561)	(354)
(Loss)/profit before tax		(2,712)	759
Income tax	9	510	(146)
(Loss)/profit for the year		(2,202)	613

All results derive from continuing operations.

The notes on pages 28 to 56 form an integral part of the financial statements.

The Company has initially applied IFRS 16 at 1 January 2019. Under the transition methods adopted, comparative information has not been restated. See Note 2.

VolkerStevin Limited
Statement of Comprehensive Income
for the year ended 31 December 2019

	<i>Note</i>	2019 £000	2018 £000
(Loss)/profit for the year		(2,202)	613
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss			
Actuarial gains/(losses) on defined benefit pension plans	17	629	(348)
Tax recognised on actuarial (losses)/gains	9	(106)	59
Other comprehensive income/(expense) for the year, net of tax		523	(289)
Total comprehensive (expense)/income for the year		(1,679)	324

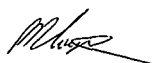
The notes on pages 28 to 56 form an integral part of the financial statements.

The Company has initially applied IFRS 16 at 1 January 2019. Under the transition methods adopted, comparative information has not been restated. See Note 2.

VolkerStevin Limited
Statement of Financial Position
as at 31 December 2019

	Note	2019 £000	2018 £000
Non-current assets			
Property, plant and equipment	10	306	366
Right-of-use assets	10	1,672	-
Trade and other receivables	13	4,262	6,752
Deferred tax assets	12	358	600
		<u>6,598</u>	<u>7,718</u>
Current assets			
Trade and other receivables	13	14,407	25,474
Contract assets	3	19,855	20,259
Tax receivables		1,585	685
Cash and cash equivalents	14	14,797	28,921
		<u>50,644</u>	<u>75,339</u>
Total assets		<u>57,242</u>	<u>83,057</u>
Equity			
Share capital	18	8,000	8,000
Retained earnings		8,994	11,173
Total equity		<u>16,994</u>	<u>19,173</u>
Non-current liabilities			
Lease liabilities	21	778	-
Trade and other payables	15	2,678	2,845
Employee benefits	17	498	1,583
		<u>3,954</u>	<u>4,428</u>
Current liabilities			
Lease liabilities	21	866	-
Trade and other payables	15	30,799	57,049
Contract liabilities	3	4,425	2,106
Provisions	16	204	301
		<u>36,294</u>	<u>59,456</u>
Total liabilities		<u>40,248</u>	<u>63,884</u>
Total equity and liabilities		<u>57,242</u>	<u>83,057</u>

These financial statements were approved by the Board of Directors on 22 December 2020 and were signed on its behalf by:



RD Coupe
Director
Company registered number: 00288392

The notes on pages 28 to 56 form an integral part of the financial statements.

The Company has initially applied IFRS 16 at 1 January 2019. Under the transition methods adopted, comparative information has not been restated. See Note 2.

VolkerStevin Limited
Statement of Changes in Equity
for the year ended 31 December 2019

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2018	8,000	10,849	18,849
Comprehensive income			
Profit for the year	-	613	613
Actuarial loss on defined benefit pension plans, net of tax	-	(289)	(289)
Total comprehensive income	-	324	324
Balance at 31 December 2018	<u>8,000</u>	<u>11,173</u>	<u>19,173</u>
Balance at 1 January 2019	8,000	11,173	19,173
Comprehensive income			
Loss for the year	-	(2,202)	(2,202)
Actuarial gain on defined benefit pension plans, net of tax	-	523	523
Total comprehensive expense	-	(1,679)	(1,679)
Dividends paid	-	(500)	(500)
Balance at 31 December 2019	<u>8,000</u>	<u>8,994</u>	<u>16,994</u>

The notes on pages 28 to 56 form an integral part of the financial statements.

The Company has initially applied IFRS 16 at 1 January 2019. Under the transition methods adopted, comparative information has not been restated. See Note 2.

VolkerStevin Limited
Cash flow Statement
for the year ended 31 December 2019

	<i>Note</i>	2019 £000	2018 £000
Cash flow relating to operating activities	20	(12,736)	18,115
Interest paid		(433)	(318)
Tax received		470	291
Net cash (used in) / from operating activities		(12,699)	18,088
 Cash flows relating to investing activities			
Interest received		-	33
Acquisition of plant, property and equipment	10	(26)	(62)
Net cash used in investing activities		(26)	(29)
 Repayment of lease liabilities (under IFRS 16)		(871)	-
Interest paid		(28)	-
Dividends paid to Company's shareholders		(500)	-
Net cash used in financing activities		(1,399)	-
Net (decrease)/increase in cash and cash equivalents		(14,124)	18,059
Cash and cash equivalents at 1 January		28,921	10,862
 Cash and cash equivalents at 31 December	14	14,797	28,921

The notes on pages 28 to 56 form an integral part of the financial statements.

The Company has initially applied IFRS 16 at 1 January 2019. Under the transition methods adopted, comparative information has not been restated. See Note 2.

VolkerStevin Limited

Notes to the Financial Statements

for the year ended 31 December 2019

1 General information

The Company is incorporated and domiciled in the UK. The Company is a private company limited by shares and is registered in England and Wales. The address of the Company's registered office is shown on page 1.

2 Accounting policies

2.1 Basis of preparation

These financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

This is the first set of the Group's annual financial statements in which IFRS 16 Leases has been applied. Changes to significant accounting policies are described in Note 2.21.

2.2 Measurement convention

The financial statements are prepared on the historical cost basis except for certain financial instruments which are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

2.3 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review section of the Strategic Report on pages 2 to 17. In addition, note 19 to the financial statements includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments, and its exposure to credit risk, market risk and liquidity risk.

The Company meets its day-to-day working capital requirements through a centrally maintained group facility with VolkerWessels UK Limited (the "Group"). The Company is expected to continue to be in a position to obtain finance from the Group when required to operate for the foreseeable future. In completing this analysis the Directors of the Company have considered the commitment and ability of the Group to continue provide such finance. See note 19 (c).

Management has produced forecasts that have also been sensitised to reflect a plausible downside scenario as a result of the COVID-19 pandemic and its impact on the UK economy, which have been reviewed by the Directors. These demonstrate the Company and Group is forecast to generate profits and cash in the years ending 31 December 2020 and 31 December 2021, and that the Company and Group has sufficient cash reserves and facilities to enable the Company and Group to meet its obligations as they fall due for a period of at least 12 months from the date of signing of these financial statements.

Given the Company's net current assets position and the strength of the secured order book, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for 12 months from the date of signing the financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The Directors will closely monitor cash conversion and covenants over the future period and have ensured that there are a number of mitigating actions that can be taken, including a potential delay in capex spend and the raising of additional finance.

2.4 Jointly controlled operations

The Company has entered into Jointly Controlled Operations (JCOs) with different partners for the purposes of undertaking specific contracts. Interests in JCOs are accounted for by recognising the Company's share of income and expenses and assets and liabilities measured according to the terms of the arrangements.

2.5 Foreign currency

Transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2.6 Property, plant and equipment

Property, plant and equipment ("PPE") are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of PPE have different useful lives, they are accounted for as separate items of PPE. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of PPE. Land is not depreciated. The estimated useful lives are as follows:

Plant, machinery and vehicles:	3-10 years
Buildings:	10-50 years

Depreciation methods, useful lives and residual values are reviewed at each year-end.

VolkerStevin Limited

Notes to the Financial Statements

for the year ended 31 December 2019

2 Accounting policies (continued)

2.7 Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

2.8 Leases

The Company has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below:

Under IAS 17 – year ending 31 December 2018

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance leases are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and accumulated impairment losses. Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Under IFRS 16 – year ending 31 December 2019

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture, photocopiers and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

VolkerStevin Limited

Notes to the Financial Statements

for the year ended 31 December 2019

2 Accounting policies (continued)

2.9 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of the future benefit that employees have earned in return for their service in the current and prior years that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The liability discount rate is the yield at the year-end on AA credit rated bonds denominated in the currency of, and having maturity dates approximate to the terms of the Company's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

2.10 Contract assets and contract liabilities

Contract assets represent the Company's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time (for example, the Company's future performance).

Contract liabilities are the Company's obligations to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer.

2.11 Impairment excluding financial instruments, inventories and deferred tax assets

The carrying amounts of the Company's assets are reviewed at each year-end to determine whether there is any indication of impairment.

An impairment loss is recognised whenever the carrying amount of any asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.12 Financial Instruments

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- a. They include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- b. Where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

2.13 Derivative financial instruments

Derivative financial instruments comprise instruments used to manage exposures to fluctuations in foreign currencies. The Company does not use derivative financial instruments for speculative purposes.

Derivatives are initially recognised in the statement of financial position at fair value on the date the transaction is entered into and are subsequently re-measured at their fair values.

Changes in the fair value of the derivatives are recognised in the income statement.

VolkerStevin Limited

Notes to the Financial Statements

for the year ended 31 December 2019

2 Accounting policies (continued)

2.14 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity, financial instruments at amortised cost, cash and cash equivalents, loans and borrowings, and trade and other payables.

Investments in jointly controlled entities and subsidiaries are carried at cost in the financial statements.

Financial instruments at amortised cost are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

An impairment analysis is performed at each reporting date on an individual basis. The calculation is based on actual incurred historical data. Impairment is recognised in an allowance account which is deducted from the gross total.

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents comprise cash balances and call deposits.

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

2.15 Impairment of financial instruments

The Company assesses lifetime expected credit loss (ECL) for trade receivables and contract assets. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast economic conditions including the time value of money where appropriate.

For all other financial instruments, the Company recognises ECL when there has been a significant increase in risk since initial recognition. When estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis. The assessment is based on the Company's historical experience and includes forward-looking information. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the 12-month ECL as defined below.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering the asset in its entirety or a portion thereof. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

2.16 Financing income and expenses

Financing expenses comprise interest payable and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Financing income comprises interest receivable on funds invested, dividend income and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

2.17 Taxation

Tax on the (loss)/profit for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is also recognised in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the year-end, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the year-end.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

VolkerStevin Limited

Notes to the Financial Statements

for the year ended 31 December 2019

2 Accounting policies (continued)

2.18 Revenue

Revenue recognition is determined according to the requirements of IFRS 15 'Revenue from contracts with customers'. IFRS 15 prescribes a 5-step model to distinguish each distinct performance obligation within a contract with a customer and to recognise revenue on the level of those performance obligations, reflecting the consideration that the Company expects to be entitled to, in exchange for those goods or services.

For each performance obligation identified in the contract, the Company determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time.

Performance obligations satisfied over time

The Company's construction and service contracts are satisfied over time where the following criteria are met;

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs it; or
- The Company's performance creates or enhances an asset that the customer controls; or
- The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

The Company's construction contracts are typically satisfied over time as the Company's performance creates or enhances an asset that the customer controls. The Company's service contracts are satisfied over time where the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs it.

The Company recognises revenue over time by measuring the progress towards full satisfaction of that performance obligation. The objective when measuring progress is to depict the Company's performance in transferring control of goods or services promised to a customer (i.e. the satisfaction of the Company's performance obligation).

For service contracts and construction projects with a fixed cost base, progress is measured using an input method, i.e. cost incurred divided by total expected costs. Costs incurred which do not result in a transfer of control to the customer are excluded. Examples of costs where control is not transferred are uninstalled materials, costs of inefficiencies and set-up costs.

For contracts that are based on unit-rates, progress is measured based on the number of units produced, i.e. an output method.

Performance obligations satisfied at a point in time

If the criteria for satisfying a performance obligation over time is not met, revenue is recognised at the point in time when control of the good or service transfers to the customer. Indicators that control has transferred include the Company having contractual rights to payment, legal title has transferred to the customer, the customer has possession of the asset, the customer has accepted the asset or the customer has the significant risks and rewards of ownership.

Variable consideration i.e. variations, claims and incentive payments are recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur once any uncertainty associated with the variable consideration is subsequently resolved. The Company considers both the likelihood and the magnitude of the potential revenue reversal.

Further details on revenue recognition are included in note 3 and note 25(a).

The Company recognises an asset from the costs to fulfil a contract where, the costs relate to a contract or anticipated contract that the entity can specifically identify and the costs generate or enhance resources that will be used in satisfying performance obligations in the future and the costs are expected to be recovered. Assets recognised will be amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

Construction contracts

The Company's construction contracts include complex engineering solutions across five principal market sectors; marine, defence, flood and coastal erosion risk management, water and regeneration and land remediation. The contract term depends on the nature and complexity of the project and the Company's role on the project.

Under the terms of these construction contracts, the Company does not create an asset with an alternative use to the entity and has an enforceable right to payment for work done. Revenue is therefore recognised over time using an input method to calculate percentage completion relative to the estimated total contract costs or in the case of some cost-plus contracts revenue is calculated based on cost plus an agreed margin. Costs which do not result in a transfer of value to the customer do not contribute to the percentage completion. The directors consider that this input method is an appropriate measure of progress towards complete satisfaction of the performance obligations under IFRS 15 as it faithfully depicts the transfer of control to the customer.

VolkerStevin Limited

Notes to the Financial Statements

for the year ended 31 December 2019

2 Accounting policies (continued)

2.18 Revenue (continued)

The transaction price for the main contract is agreed with the customer before any work is undertaken. Where the contract contains multiple performance obligations then the transaction price is allocated based on the stand alone selling price of each performance obligation. The stand alone selling price is the observable price of a good or service when the Company sells that good or service separately in similar circumstances and to similar customer. The stand alone selling price is estimated as cost plus an appropriate margin where there is no observable price.

For variations and claims where the transaction price is not explicitly included in the contract or agreed with the customer in writing, the directors will consider the facts including anticipated cost and margin, contract volumes and industry rates as well as the directors prior experience to estimate the transaction price.

The Group becomes entitled to invoice the customer based on certification of goods and services completed. Depending on the contractual terms the customer may be entitled to hold back a percentage of the invoiced amount as a retention for defects or rework. Retentions are included in trade and other receivables as the Group has a contractual right to payment which is contingent on the passage of time. Payment terms are rarely greater than 45 days. Goods and services transferred to the customer which have not been certified are recognised as contract assets. Contract assets are transferred to trade receivables as and when they are certified. If payment from the customer exceeds the revenue recognised using the input method, the Group will recognise a contract liability for the difference.

2.19 Inter-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

2.20 Provisions

A provision is recognised on the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Provisions are made based on the Directors' best estimate of the position of known legal claims, investigations and actions at the year end. The Company takes legal and other third party advice as to the likely outcomes of such actions, and no liability or asset is recognised where the Directors consider, based on that advice, that an action is unlikely to succeed, or where the Company cannot make a sufficiently reliable estimate of the potential obligation or benefit.

2.21 Changes in significant accounting policies

New amendments to Standards and Interpretations that became mandatory for the first time for the financial year beginning 1 January 2019 are listed below:

- IFRS 16 'Leases' (effective 1 January 2019)
- Amendments to IFRS 9 'Financial Instruments' (Prepayment features) (effective 1 January 2019)
- Amendments to IAS 28 'Interests in Associates and Joint Ventures' (long term interests) (effective 1 January 2019)
- Annual Improvements to IFRS Standards 2015–2017 Cycle: Amendments to IFRS 3 'Business Combinations', IFRS 11 'Joint Arrangements', IAS 12 'Income Taxes' and IAS 23 'Borrowing Costs' (effective 1 January 2019)
- Amendments to IAS 19 'Employee Benefits' (Plan Amendment, Curtailment or Settlement) (effective 1 January 2019)
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019)

The company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

- IFRS 17 'Insurance Contracts' (effective 1 January 2021)
- Amendments to IFRS 3 'Business Combinations' (Definition of a Business) (effective 1 January 2020)
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (Definition of material) (effective 1 January 2020)
- Amendments to References to the Conceptual Framework in IFRS Standards (effective 1 January 2020)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) (effective 1 January 2020)

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods, except as noted below:

Impact of the initial application of IFRS 16 Leases

In the current year, the Company, has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019. The date of initial application of IFRS 16 for the Company is 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 2.8. The impact of the adoption of IFRS 16 on the Company's consolidated financial statements is described below.

VolkerStevin Limited

Notes to the Financial Statements

for the year ended 31 December 2019

2 Accounting policies (continued)

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. Under this approach the company has chosen the option to measure the right-of-use asset at an amount equal to the lease liability, adjusting by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

The Company has elected to adhere to the following practical expedients and exemptions on adoption. The expedients and exemptions are permissible under the standard and were applied consistently to all of the Group's leases:

- The Company did not reassess whether any expired or existing contracts are or contain leases;
- The Company elected the short-term exemption for existing contracts with a remaining lease term of 12 months or less on the transition date; and
- The Company exempted certain low-value contracts, where no right-of-use asset nor lease liability will be recognised. The expenses relating to the lease of low value items continue to be recognised as an expense in the income statement for the period over which the asset is utilised by the Company. Low-value contracts are defined as leases where the original cost of the underlying asset is less than £5k. The threshold for low-value contracts will be reviewed on a regular basis.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

2.21 Changes in significant accounting policies (continued)

Financial impact

The borrowing rate applied to the lease liabilities in the statement of financial position at the initial adoption on 1 January 2019 was 1.675% for leases less than 5 years in duration, 2.103% for leases from 5-10 years duration and 2.925% for leases greater than 10 years.

The following tables summarise the impacts of adopting IFRS 16 on the Company's income statement for the year ended 31 December 2019, its statement of financial position as at 31 December 2019, and its statement of cash flows for the year ended 31 December 2019:

Impact on the consolidated income statement

Year ended 31 December 2019	As reported	IFRS 16 impact	Amounts without adoption of IFRS 16
£000			
Revenue	133,731	-	133,731
Cost of sales	(128,672)	(13)	(128,659)
Gross profit	5,059	(13)	5,072
Administrative expenses	(7,273)	30	(7,303)
Operating result	(2,214)	17	(2,231)
Financial income	63	-	63
Financial expense	(561)	(28)	(533)
Loss before tax	(2,712)	(11)	(2,701)
Income tax	510	2	508
Loss for the year	(2,202)	(9)	(2,193)

VolkerStevin Limited
Notes to the Financial Statements
for the year ended 31 December 2019

2 Accounting policies (continued)

2.21 Changes in significant accounting policies (continued)

Impact on the statement of financial position

As at 31 December 2019	As reported	IFRS 16 impact	Amounts without adoption of IFRS 16
£000			
Non current assets			
Property, plant and equipment	306	-	306
Right-of-use assets	1,672	1,672	-
Trade and other receivables	4,262	-	4,262
Deferred tax assets	358	2	356
	6,598	1,674	4,924
Current assets			
Trade and other receivables	14,407	(88)	14,495
Contract assets	19,855	-	19,855
Tax receivables	1,585	-	1,585
Cash and cash equivalents	14,797	-	14,797
	50,644	(88)	50,732
Total assets	57,242	1,586	55,656
Equity			
Share capital	(8,000)	-	(8,000)
Retained earnings	(8,994)	9	(9,003)
Total equity	(16,994)	9	(17,003)
Non current liabilities			
Lease liabilities	(778)	(778)	-
Trade and other payables	(2,678)	-	(2,678)
Employee benefits	(498)	-	(498)
	(3,954)	(778)	(3,176)
Current liabilities			
Lease liabilities	(866)	(866)	-
Trade and other payables	(30,799)	49	(30,848)
Contract liabilities	(4,425)	-	(4,425)
Provisions	(204)	-	(204)
	(36,294)	(817)	(35,477)
Total liabilities	(40,248)	(1,595)	(38,653)
Total equity and liabilities	(57,242)	(1,586)	(55,656)

VolkerStevin Limited
Notes to the Financial Statements
for the year ended 31 December 2019

2 Accounting policies (continued)

2.21 Changes in significant accounting policies (continued)

Impact on the statement of cash flows

£000	As reported	IFRS 16 impact	Amounts without adoption of IFRS 16
Cash flow relating to operating activities	(12,736)	843	(13,579)
Interest received	(433)	-	(433)
Tax received	470	-	470
Net cash used in operating activities	(12,699)	843	(13,542)
Cash flows relating to investing activities			
Acquisition of plant, property and equipment	(26)	-	(26)
Net cash used in investing activities	(26)	-	(26)
Cash flows relating to financing activities			
Repayment of finance lease liabilities (under IFRS 16)	(871)	(871)	-
Interest paid	(28)	(28)	-
Dividends paid to Company's shareholders	(500)	-	(500)
Net cash from / (used in) financing activities	(1,399)	(899)	(500)
Net decrease in cash and cash equivalents	(14,124)	(56)	(14,068)
Cash and cash equivalents at 1 January	28,921	-	28,921
Cash and cash equivalents at 31 December	14,797	(56)	14,853

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

Impact on retained earnings as at 1 January 2019	£000
Operating lease commitments at 31 December 2018	1,754
Recognition of leases previously recognised in other group entities	89
Short-term leases and leases of low-value assets	(106)
Effect of discounting the above amounts	(69)
Lease liabilities recognised at 1 January 2019	1,668

The Company has recognised £1,668k of right-of-use assets and lease liabilities upon transition to IFRS 16. There was no difference recognised in retained earnings.

VolkerStevin Limited
Notes to the Financial Statements
for the year ended 31 December 2019

3 Revenue

a) Disaggregation of revenue from contracts with customers:

The Company derives revenue from the transfer of goods and services in the following major activities:

	2019 £000	2018 £000
Construction contract revenues	133,731	206,977
Total revenues	133,731	206,977

All revenue is from contracts with customers. Substantially all revenue relates to sales made in the United Kingdom and is measured over time.

b) Contract balances

The Company has recognised the following revenue related (contract) assets and liabilities:

	31 December 2019 £000	31 December 2018 £000	1 January 2018 £000
Contract assets	19,855	20,259	25,726
Contract liabilities	4,425	2,106	4,078

The contract assets primarily relate to the Company's rights to consideration for work completed but not certified at the reporting date.

The Company receives payments from customers in line with a series of performance related milestones and will previously have recognised a contract asset for any work performed. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Company issues an invoice to the customer.

The contract liabilities primarily arise where payment received or due exceeds revenue recognised to date under the applicable revenue recognition policy. All contract liabilities held at 31 December 2018 are expected to satisfy performance obligations in the next 12 months.

During the period there were no significant changes to contract assets or contract liabilities relating to business combinations, impairment of contract assets or changes in time frames with regards to the right to consideration becoming unconditional or the satisfaction of performance obligations where a contract liability has been recognised. The effect of changes in accounting policies has resulted in the opening contract asset and contract liability balances.

Revenue recognised during the year that was included in the contract liability balance at the beginning of the year amounted to £2,106k (2018: £2,609k). The amount of revenue recognised in 2019 from performance obligations satisfied in previous periods is £(4,222)k (2018: £(3,448)k).

Transaction price allocated to the remaining performance obligations

The aggregate amount of the transaction price allocated to performance obligations within contracts with customers that are partially or fully unsatisfied as at 31 December 2019 is £185,371k (2018: £199,381k).

Management expects that 54% of the transaction price allocated to the unsatisfied contracts as of 31 December 2019 will be recognised as revenue during the 2020 financial year (£100,870k), 25% during the 2021 financial year (£45,427k) and 21% thereafter (£39,074k).

Assets recognised from costs to fulfil a contract

In addition to the contract assets and contract liabilities, the Company may also capitalise bid/tender costs and site set up costs of which Management expects the costs are recoverable. There were no such balances at the year-end.

VolkerStevin Limited
Notes to the Financial Statements
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4 (Loss)/profit before tax

(Loss)/profit before tax is stated after charging:

	2019 £000	2018 £000
<i>Depreciation of property, plant and equipment</i>		
- owned assets	85	121
- right-of-use assets under IFRS 16	844	-
<i>Operating lease charges arising under IAS 17</i>		
- land & buildings	-	524
- plant and machinery	-	280
Lease charges on short-term leases arising under IFRS 16	25	-
<i>Auditor's remuneration</i>		
- audit of these financial statements	160	82
	<u><u>160</u></u>	<u><u>82</u></u>

5 Staff numbers and costs

The monthly average number of people employed by the Company (including Directors) during the year, analysed by category was as follows:

	2019 No	2018 No
Management & administrative	72	70
Operational	394	418
	<u><u>466</u></u>	<u><u>488</u></u>

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	21,647	23,177
Social security costs	2,380	2,617
Contributions to defined contribution plans	2,005	1,967
Contributions in respect of defined benefit plans	493	480
	<u><u>26,525</u></u>	<u><u>28,241</u></u>

VolkerStevin Limited
Notes to the Financial Statements
for the year ended 31 December 2019

6 Directors' remuneration

	2019 £000	2018 £000
Directors' emoluments	443	470
Company contributions to money purchase pension plans	12	14
	<u>455</u>	<u>484</u>

The emoluments of the highest paid Director were £154k (2018: £183k) and company pension contributions of £nil (2018: £nil) were made to a money purchase scheme on his behalf. Only 5 Directors are remunerated through the Company (2018: 6). The other Directors are remunerated through other Group companies.

Retirement benefits are accruing to the following number of Directors under:

	2019 No	2018 No
Money purchase schemes	<u>5</u>	<u>6</u>

7 Financial income

	2019 £000	2018 £000
Interest income on short-term bank deposits	52	32
Amounts receivable from group undertakings	11	1
Total financial income	<u>63</u>	<u>33</u>

8 Financial expense

	2019 £000	2018 £000
Net interest on the net defined benefit liability	37	36
Interest on lease liabilities under IFRS 16	28	-
Other interest	496	318
Total financial expense	<u>561</u>	<u>354</u>

VolkerStevin Limited
Notes to the Financial Statements
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9 Income tax

a) Analysis of the tax recognised in the income statement

	2019 £000	2018 £000
<i>Current tax (credit)/charge</i>		
UK corporation tax:		
Current year	(650)	30
Adjustments for prior periods	4	(29)
Current tax (credit)/charge	(646)	1
<i>Deferred tax expense (see note 12)</i>		
Origination and reversal of temporary differences	151	158
Change in tax rate	(16)	(17)
Adjustments for prior periods	1	4
Deferred tax charge	136	145
Total tax (credit)/charge	(510)	146

b) Reconciliation of effective tax rate

The total tax (credit)/charge for the year is lower (2018: higher) than the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%). The differences are explained below:

	2019 £000	2018 £000
(Loss)/profit for the year	(2,202)	613
Total tax (credit)/charge	(510)	146
(Loss)/profit excluding taxation	(2,712)	759
Tax using the UK corporation tax rate of 19.00% (2018: 19.00%)	(515)	144
<i>Effects of:</i>		
Non-deductible expenses	13	14
Changes in tax rates	(16)	(17)
R&D expenditure credit	-	24
Other	3	6
Adjustments for prior periods	5	(25)
Total tax (credit)/charge	(510)	146

c) Tax recognised directly in other comprehensive income

	2019 £000	2018 £000
Deferred tax (charge)/credit recognised directly in other comprehensive income	(106)	59

d) Factors that may affect future current and total tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 on 26 October 2015 and Finance Bill 2016 on 15 September 2016. These include reductions in the main rate of corporation tax from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the year-end have been measured using these enacted tax rates and reflected in these financial statements.

In the Budget on 11 March 2020, it was announced that the previously enacted reduction in the main rate of corporation tax to 17% from 1 April 2020 will now not occur, and the applicable rate will remain at 19%. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2019 continue to be measured at a rate of 17%.

VolkerStevin Limited
Notes to the Financial Statements
for the year ended 31 December 2019

10 Property, plant and equipment

	Owned assets		Right-of-use assets held under leasing arrangements under IFRS 16		Total £000
	Land and buildings £000	Plant, machinery and vehicles £000	Land and buildings £000	Plant, machinery and vehicles £000	
Cost					
At 1 January 2018	771	848	-	-	1,619
Additions	-	62	-	-	62
At 31 December 2018	771	910	-	-	1,681
Recognised on adoption of IFRS 16			754	914	1,668
At 1 January 2019	771	910	-	-	1,681
Additions	-	25	-	933	958
Disposals	-	-	-	(108)	(108)
At 31 December 2019	771	935	754	1,739	4,199
Depreciation and impairment					
At 1 January 2018	510	684	-	-	1,194
Charge for the year	18	103	-	-	121
At 31 December 2018	528	787	-	-	1,315
At 1 January 2019	528	787	-	-	1,315
Charge for the year	18	67	450	394	929
Disposals	-	-	-	(23)	(23)
At 31 December 2019	546	854	450	371	2,221
Net book value					
At 31 December 2019	225	81	304	1,368	1,978
At 1 January 2019	243	123	-	-	366
At 31 December 2018	243	123	-	-	366

Information presented for the comparative period ended 31 December 2018, is presented in accordance with IAS 17. Information presented for the current period ended 31 December 2019, is presented in accordance with IFRS 16.

Plant and machinery includes a share of joint operations assets at a cost of £48k (2018: £48k) and depreciation of £47kk (2018: £45k).

VolkerStevin Limited
Notes to the Financial Statements
for the year ended 31 December 2019

11 Investments

The Company has the following investments in jointly controlled operations:

Jointly controlled operations	Principal activities	JCO partner	Address	Company Share %	
				2019	2018
HMB Alliance	Construction	Morgan Sindall Ltd Barhale Construction Ltd	1, 2 & 3	30%	30%
CVC Highway Solutions	Construction	Cumbrian Industrials Ltd	1 & 4	50%	50%
VS Marine	Construction	VCI bv	1 & 5	50%	50%
VSD Avenue	Construction	Deme Environmental Contracts nv	1, 6 & 7	33.3%	33.3%
VSBW JV	Construction	Sita Remediation bv Boskalis Westminster Ltd	1	66%	66%
C2V+	Construction	CH2MUK Ltd	1 & 8	50%	50%

1 The Lancashire Hub
Preston City Park
Bluebell Way
Preston
PR2 5PE

2 Corporation Street
Rugby
CV21 2DW

3 Bescot Crescent
Walsall
WS1 4NN

4 Coleridge House
Gilwilly Industrial Est.
Penrith
Cumbria
CA11 9BN

5 PO Box 203
3447 GG Woerden
The Netherlands

6 Greenstead House
Wood Street
East Grinstead
RH19 1UZ

7 Postbus 40221
3504 AA Utrecht
The Netherlands

8 Hertford Road
Hoddesdon
EN11 9BX

12 Deferred tax assets and liabilities

a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2019 £000	2018 £000	2019 £000	2018 £000
Property, plant and equipment	271	331	-	-
Right-of-use assets	2	-	-	-
Employee benefits	85	269	-	-
Tax assets/(liabilities)	<u>358</u>	<u>600</u>	<u>-</u>	<u>-</u>

b) Movement in deferred tax in the year

	1 January 2019 £000	Charge in profit or loss £000	Charge in other comprehensive income £000	31 December 2019 £000
Property, plant and equipment	331	(60)	-	271
Right-of-use assets	-	2	-	2
Employee benefits	269	(78)	(106)	85
	<u>600</u>	<u>(136)</u>	<u>(106)</u>	<u>358</u>

R&D tax credit included in the deferred tax asset is not disclosed as recognised in income here as it is included in gross profit in accordance with tax legislation.

VolkerStevin Limited
Notes to the Financial Statements
for the year ended 31 December 2019

12 Deferred tax assets and liabilities (continued)

c) Movement in deferred tax in the prior year

	1 January 2018 £000	Charge in profit or loss £000	Charge in other comprehensive income £000	31 December 2018 £000
Property, plant and equipment	401	(70)	-	331
Employee benefits	285	(75)	59	269
	<u>686</u>	<u>(145)</u>	<u>59</u>	<u>600</u>

13 Trade and other receivables

	2019 £000	2018 £000
Trade receivables	10,351	10,716
Amounts owed by group undertakings (note 23)	5,609	19,721
Prepayments	2,709	1,539
Other receivables	-	250
	<u>18,669</u>	<u>32,226</u>
Current	14,407	25,474
Non current	4,262	6,752
	<u>18,669</u>	<u>32,226</u>

The directors consider the carrying amount of trade and other receivables approximate to their fair value.

Trade receivables include £4,262k (2018: £6,752k) of retentions relating to construction contracts in progress.

14 Cash and cash equivalents

	2019 £000	2018 £000
Cash and cash equivalents	14,797	28,921
	<u>14,797</u>	<u>28,921</u>

15 Trade and other payables

	2019 £000	2018 £000
Trade payables	24,391	36,967
Accruals and other payables	3,646	4,130
Tax and social security costs	2,965	4,699
Amounts due to group undertakings (note 23)	2,475	14,098
	<u>33,477</u>	<u>59,894</u>
Current	30,799	57,049
Non-current	2,678	2,845
	<u>33,477</u>	<u>59,894</u>

VolkerStevin Limited

Notes to the Financial Statements

for the year ended 31 December 2019

15 Trade and other payables (continued)

The directors consider the carrying amount of trade and other payables approximate to their fair value.

Included within Trade payables is £2,806k (2018: £2,845k) expected to be settled in over 12 months.

Included within Trade payables are contract accruals of £16,177k (2018: £31,324k), which comprises of amounts due to subcontractors, goods received not yet invoiced and other contract related accruals.

16 Provisions

	Contract provisions £000	
Balance at 1 January 2019	301	
Charge to the income statement	1,441	
Utilised in the year	(1,538)	
	<hr/>	
Balance at 31 December 2019	204	
	<hr/> <hr/>	
	2019 £000	2018 £000
Analysis of total provisions		
Current	204	301
	<hr/>	<hr/>
	204	301

Provisions charged to the income statement in 2018 totalled £301k.

Onerous contract provision

Contract provisions represents the expected net loss of fulfilling contractual obligations, based on the company's best estimate of volume levels and of the cost to service the volumes.

In estimating the expected net loss the directors made assumptions regarding the costs that would be incurred in order to complete the contract.

17 Employee benefits

a) Defined contribution plan

The Company operates a defined contribution plan. The total expense relating to this plan in the current year was £2,005k (2018: £1,967k) and the creditor outstanding relating to the plan at 31 December 2019 was £nil (2018: £nil).

b) Defined benefit plans

The Company operates a UK registered trust based pension scheme that provides defined benefits. Pension benefits are linked to the members' final pensionable salaries and service at their retirement (or date of leaving if earlier). The Trustee is responsible for running the Scheme in accordance with the Scheme's Trust Deed and Rules, which sets out their powers. The Trustee of the Scheme is required to act in the best interests of the beneficiaries of the Scheme.

The defined benefit obligation is valued by projecting the best estimate of future benefit outgo (allowing for future salary increases for active members, revaluation to retirement for deferred members and annual pension increases for all members) and then discounting to the year-end. The majority of benefits receive increases linked to inflation (subject to a cap of no more than 5% pa). The valuation method used is known as the Projected Unit Method.

Risks

Through the Scheme, the Company is exposed to a number of risks:

- **Asset volatility:** the Scheme's defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields, however the Scheme invests significantly in equities and other growth assets. These assets are expected to outperform corporate bonds in the long term, but provide volatility and risk in the short term.
- **Changes in bond yields:** a decrease in corporate bond yields would increase the Scheme's defined benefit obligation. The Scheme invests in Liability Driven Investment (LDI) assets, which are designed to offset the impact of changes in market yields. Changes in bond yields are therefore not expected to be a significant source of year-end volatility.
- **Inflation risk:** a significant proportion of the Scheme's defined benefit obligation is linked to inflation, therefore higher inflation will result in a higher defined benefit obligation (subject to the appropriate caps in place), although the Scheme's LDI holdings look to hedge inflation rate changes.
- **Life expectancy:** if Scheme members live longer than expected, the Scheme's benefits will need to be paid for longer, increasing the Scheme's defined benefit obligation.

VolkerStevin Limited
Notes to the Financial Statements
for the year ended 31 December 2019

17 Employee benefits (continued)

Summary

A summary of the plan is as follows:

	2019 £000	2018 £000
Defined benefit assets	32,826	30,751
Defined benefit liability	(33,324)	(32,334)
Net liability for defined benefit obligations	(498)	(1,583)
Total employee benefits	(498)	(1,583)

Movement in net defined benefit asset

	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset / (liability)	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Balance at 1 January	(32,334)	(34,136)	30,751	32,457	(1,583)	(1,679)
Included in profit or loss						
Interest (cost)/income	(884)	(839)	847	803	(37)	(36)
	(33,218)	(34,975)	31,598	33,260	(1,620)	(1,715)
Included in OCI						
Remeasurements gain/(loss):						
Actuarial gain/(loss) arising from						
• Changes in demographic assumptions	780	217	-	-	780	217
• Changes in financial assumptions	(2,413)	1,298	-	-	(2,413)	1,298
Return on plan assets excluding interest income	-	-	2,262	(1,863)	2,262	(1,863)
	(1,633)	1,515	2,262	(1,863)	629	(348)
Other						
Contributions paid by the employer	-	-	493	480	493	480
Benefits paid	1,527	1,126	(1,527)	(1,126)	-	-
Balance at 31 December	(33,324)	(32,334)	32,826	30,751	(498)	(1,583)

Plan assets

	2019 £000	2018 £000
Cash and cash equivalents	2,579	211
Equities and other growth assets	9,059	14,735
Bonds and liability driven investments	6,875	11,911
Property	4,075	3,894
Diversified Growth Assets	6,190	-
Liquidity Driven Investments	4,048	-
Total	32,826	30,751

All equity securities and government bonds have quoted prices in active markets. All government bonds are issued by European governments and are AAA- or AA-rated.

VolkerStevin Limited

Notes to the Financial Statements

for the year ended 31 December 2019

17 Employee benefits (continued)

Actuarial assumptions

Principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:

	2019 %	2018 %
Discount rate	2.0	2.8
RPI Inflation	2.9	3.2
CPI Inflation	1.9	2.2
CPI inflation linked increases in deferment	1.9	2.1
CPI or 5% pa if less subject to a minimum of 3% pa pension increases	3.1	3.1
RPI or 5% pa if less subject to a minimum of 3% pa pension increases	2.8	3.1
RPI inflation linked increases in deferment	2.9	3.2

The assumptions relating to longevity underlying the pension liabilities at the year-end are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:-

	Male Years	Female Years
Current pensioner aged 65	20.3	22.2
Future retiree upon reaching 65 in 20 years	21.3	23.4

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions by half a percent.

	Change in assumption	2019 +0.5% £000	2019 -0.5% £000	2018 +0.5% £000	2018 -0.5% £000
Discount Rate	+/- 0.5%	(2,333)	2,666	(2,231)	2,490
Inflation (RPI)	+/- 0.5%	1,999	(2,333)	2,134	(2,005)

In valuing the liabilities of the pension fund at £33,324k, mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2019 would have increased by £1,666k before deferred tax.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuations and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

Funding

The Trustee is required to carry out an actuarial valuation every 3 years. The last actuarial valuation of the Scheme was performed by the Scheme Actuary for the Trustee as at 1 January 2017. This valuation revealed a funding shortfall of £2.2 million. To pay off the deficit, the Company has agreed to pay deficit reduction contributions from 1 January 2018 to 31 January 2021, starting at £480k pa in the year beginning 1 January 2018 and increasing by 2.7% pa in each subsequent 1 January. The Company expects to pay £493k to the Scheme during the accounting year beginning 1 January 2019. The Company will also meet all expenses directly.

18 Share capital

	Number of shares '000	Ordinary shares £000
Authorised, allotted, called up and fully paid ordinary shares of £1		
At 1 January and 31 December 2018	8,000	8,000
At 1 January and 31 December 2019	8,000	8,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

VolkerStevin Limited

Notes to the Financial Statements

for the year ended 31 December 2019

19 Financial instruments

a) Fair values of financial instruments

Trade and other receivables

The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the year-end if the effect is material.

Trade and other payables

The fair value of trade and other payables is estimated at the present value of future cash flows, discounted at the market rate of interest at the year-end if the effect is material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated at its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the year-end.

Interest-bearing loans and borrowings

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the year-end. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

There is no significant difference between the carrying amount and fair value of any financial instrument for the Company.

The carrying amounts of each class of financial assets and financial liabilities are summarised below:

	Note	2019 £000	2018 £000
Financial assets at amortised cost			
Trade and other receivables	13	15,960	30,437
Contract assets	3	19,855	20,259
Cash and cash equivalents	14	14,797	28,921
Total financial assets at amortised cost		50,612	79,617
Total financial assets		50,612	79,617
Financial liabilities at amortised cost			
Trade and other payables	15	26,866	51,065
Contract liabilities	3	4,425	2,106
Lease liabilities (under IFRS 16)		1,644	-
Total financial liabilities at amortised cost		32,935	53,171
Total financial liabilities		32,935	53,171
Total financial instruments		17,677	26,446

Financial receivables at amortised cost above exclude prepayments and other receivables.

Trade and other payables above exclude tax and social security costs.

VolkerStevin Limited

Notes to the Financial Statements

for the year ended 31 December 2019

19 Financial instruments (continued)

b) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade receivables and contract assets from customers.

Exposure to credit risk is limited to the carrying amount of financial assets recognised at the year-end, namely cash and cash equivalents, trade and other receivables and contract assets. The Company continuously monitors defaults of customers and other counterparties, identified either individually or by the Company, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties.

The Company's management considers that all financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. An analysis of amounts that are past due but not impaired is shown below. None of the Company's financial assets are secured by collateral or other credit enhancements. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The Company manages the collection of retentions through its post completion project monitoring procedures and ongoing contact with clients to ensure that potential issues which could lead to the non-payment of retentions are identified and assessed promptly.

The Company's financial assets are subject to the Expected Credit Loss (ECL) model of IFRS 9. The Company has calculated the ECLs for financial assets at amortised cost and cash and cash equivalents as immaterial. In order to assess the ECLs instruments were grouped by counterparty type, age and instrument type. For further information on the Company's assessment of ECLs see the accounting policy for the impairment of financial instruments (note 2.14) and IFRS 9 - accounting policy changes (note 2.20).

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure which was £50,612k at 31 December 2019 (2018: £79,617k).

None of the contract assets at the end of the reporting period are past due, and taking into account the historical default experience and the future prospects of the industry the directors consider that no contract assets are impaired.

The maximum exposure to credit risk for trade receivables at the year-end by business segment and type of customer was as follows:

	2019 £000	2018 £000
Civil Engineering	10,351	10,716
Public sector customers	387	1,359
Private sector customers	9,964	9,357
	10,351	10,716

VolkerStevin Limited
Notes to the Financial Statements
for the year ended 31 December 2019

19 Financial instruments (continued)

Credit quality of financial assets and impairment losses

The ageing of trade receivables at the year-end was as follows:

	2019		2018	
	Gross £000	Impairment £000	Gross £000	Impairment £000
Not past due	7,351	-	8,704	-
Past due (0-30 days)	850	-	718	-
Past due (31-60 days)	421	-	1,294	-
Past due (61 - 90 days)	1,729	-	-	-
	<u>10,351</u>	<u>-</u>	<u>10,716</u>	<u>-</u>

The expected credit losses in trade receivables are estimated using a provision matrix by reference to past default experience on the debtor and an analysis of the debtor's current financial position, adjusted for specific factors that are specific to the debtors, general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

At 31 December 2019 the Company had no impairment provision (2018: £nil) and did not provide against any debt during the year. For amounts which are past due at the reporting date, the Company has not provided for as there has not been a significant change in credit quality and the Company considers the amounts are recoverable.

Impairment losses are recorded into an allowance account unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Liquidity risk exposure arises for the Company principally from trade and other payables, taxation due, and borrowings. The Company monitors working capital and cash flows to ensure liquidity risk is managed. A central treasury function in the UK parent company, VolkerWessels UK Limited, covering all UK subsidiaries ensures bank and intercompany borrowings are maintained at appropriate amounts.

Contractual maturity of financial liabilities

The following are the contractual maturities of financial liabilities including estimated interest payments and excluding the effect of netting agreements:

	Carrying amount £000	Contractual cash flows £000	1 year or less £000	Between 1 and 2 years £000	Between 2 and 5 years £000
2019					
Trade and other payables	26,866	26,866	24,188	2,678	-
Contract liabilities	4,425	4,425	4,425	-	-
Lease liabilities	1,644	1,677	799	412	466
	<u>32,935</u>	<u>32,968</u>	<u>29,412</u>	<u>3,090</u>	<u>466</u>
2018					
Trade and other payables	51,065	51,065	48,220	2,845	-
Contract liabilities	2,106	2,106	2,106	-	-
	<u>53,171</u>	<u>53,171</u>	<u>50,326</u>	<u>2,845</u>	<u>-</u>

VolkerStevin Limited
Notes to the Financial Statements
for the year ended 31 December 2019

19 Financial instruments (continued)

d) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the values of its holdings of financial instruments. Exposure to foreign exchange risk in the Company is limited to a small number of contracts that are JCO's with our Dutch partners, VolkerConstruction International bv, performed inside the UK, and a small number of non-JCO related contracts where a proportion of purchase invoices are settled in Euros. Where these purchases are deemed to be material to the contract, then the exposure to potential adverse movements in foreign exchange rates are managed through entering into foreign exchange forward contracts. At the year-end the company had no foreign exchange forward contracts (2017: £nil).

Exposure to interest rate risk in the Company is principally on bank and cash deposits, and interest bearing borrowings from its UK parent or one of its Dutch sister companies. The Company does not participate in any interest rate hedge or swap arrangements.

Foreign currency risk

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency of the

31 December 2019	Euro £000
Cash and cash equivalents	5
Statement of financial position exposure	5
31 December 2018	Euro £000
Cash and cash equivalents	26
Statement of financial position exposure	26

Company (primarily the Euro). The Company's exposure to foreign currency risk is as follows:

Sensitivity analysis

A 10 percent movement of the euro against the pound sterling at 31 December 2019 would have changed equity and profit by £1,000 (2018: £3,000). This calculation assumes that the change occurred at the year-end and had been applied to risk exposures existing at that date. This analysis also assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The sensitivity rate of 10 percent represents the Directors' assessment of a reasonably possible change, based on historic volatility.

Interest rate risk

Exposure to interest rate risk in the Company is principally on bank and cash deposits, and bank overdrafts. The Company does not participate in any interest rate hedge or swap arrangements.

Profile of interest bearing financial instruments

At the year-end the interest rate profile of the Company's interest bearing financial instruments was as follows:

	2019 £000	2018 £000
<i>Variable rate instruments</i>		
Financial assets	14,797	28,921

A change of 100 basis points in interest would either increase or decrease equity by £148k (2018: £289k). The sensitivity of 100 basis points represents the Directors' assessment of a reasonably possible change, based on historic volatility.

VolkerStevin Limited
Notes to the Financial Statements
for the year ended 31 December 2019

19 Financial instruments (continued)

e) Capital risk management

For the purpose of the Company's capital risk management, capital includes issued share capital and all other equity reserves attributable to the equity holders of the Company.

The primary objective of the Company's capital risk management is to maximise shareholder value.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital through regular forecasts of its cash position to management on both a short-term and long-term basis. Performance against forecasts is also reviewed and analysed to ensure the Company efficiently manages its net cash position.

Net cash is calculated as cash and cash equivalents less total borrowings.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

20 Cash flows from operating activities

	2019 £000	2018 £000
(Loss)/profit for the year	(2,202)	613
Adjustments for:		
Depreciation	928	121
Financial income	(63)	(33)
Financial expense	561	354
Payments to defined benefit plans	(493)	(480)
Taxation	(510)	146
R & D expenditure credit	(725)	(590)
	(2,504)	131
Decrease in trade and other receivables	13,557	13,221
Decrease/(increase) in contract assets	404	(20,259)
(Decrease)/increase in trade and other payables	(26,416)	22,917
Increase in contract liabilities	2,320	2,105
(Decrease)/increase in provisions	(97)	-
	(12,736)	18,115

VolkerStevin Limited

Notes to the Financial Statements

for the year ended 31 December 2019

21 Leases

Information presented in this note is in respect of the current period ended 31 December 2019 and is presented in accordance with IFRS 16. Information in respect of the comparative period ended 31 December 2018 is presented in accordance with IAS 17.

The Company enters into short-term leases and low value leases which are not recognised as right of use assets and lease liabilities.

The borrowing rate applied to the lease liabilities in the statement of financial position at the initial adoption on 1 January 2019 was 1.675% for leases less than 5 years in duration, 2.103% for leases from 5-10 years duration and 2.925% for leases greater than 10 years.

During the year the following amounts were recognised in relation to leases:

Amounts recognised in the Income Statement	2019 £000	2018 £000
Interest on lease liabilities adopted under IFRS 16	(28)	-
Expenses relating to short-term leases	(25)	-
Depreciation on right-of-use assets	(844)	-
	<u></u>	<u></u>

Lease liabilities in the Balance Sheet

Maturity analysis - contractual undiscounted cash flows	2019 £000	2018 £000
Less than one year	799	-
One to five years	878	-
More than five years	-	-
	<u>1,677</u>	<u>-</u>

Amounts recognised in the Statement of Cash Flows

	2019 £000	2018 £000
Operating lease payments (under IAS 17)	-	(804)
Payments for short-term or low value leases (under IFRS 16)	(25)	-
Repayment of capital element of leases (under IFRS 16)	(871)	-
Interest paid	(28)	-
Total cash outflow for leases	<u>(924)</u>	<u>(804)</u>

22 Contingencies

The Company has contingent liabilities in respect of performance bonds, guarantees and actual and potential claims by third parties under contracting and other arrangements entered into during the normal course of business. Whilst the outcome of these matters is uncertain, the Directors believe that appropriate provision or disclosure has been made within the financial statements in respect of these matters.

The Company, as a result of a VolkerWessels UK Limited Company registration for VAT, is jointly and severally liable for the VAT liabilities of other group companies under the group VAT registration. At the accounting date, the Group's liability was £9,986k (2018: £8,897k).

Provision is made for the Directors' best estimate of known legal claims, investigations and legal actions in progress. The Company takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice, that the action is unlikely to succeed, or that the Company cannot make a sufficiently reliable estimate of the potential obligation.

The Company is jointly and severally liable for the debts of jointly controlled operations. At the year-end no liability existed (2018: £nil).

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23 Related parties

Related party transactions

Transactions between the Company and other related parties are noted below.

Compensation of key management

The compensation of key management personnel (i.e. Directors) is as follows:

	2019	2018
	£000	£000
Short-term employee benefits	443	470
Post-employment benefits (defined contribution plan)	12	14
	<u>455</u>	<u>484</u>

During the year, a reassessment of the allocation of directors' remuneration charged to the company in respect of qualifying services was undertaken. Consequently there has been a decrease in the total key management personnel remuneration. As this has not led to a material change, the comparative numbers have not been restated.

Lease liabilities owed to fellow subsidiary undertaking	2019	2018
	£000	£000
At start of year	-	-
New leases	932	-
Repayments	(408)	-
Other movements	849	-
At end of year	<u>1,373</u>	<u>-</u>

Related party transactions with fellow group undertakings

Related party transactions with fellow group undertakings are summarised below:

Amounts owed by undertakings	Parent undertakings	Fellow subsidiary undertakings	Total
2019	£000	£000	£000
At start of year	16	19,705	19,721
Sales/Income	-	66,488	66,488
Receipts	(16)	(80,584)	(80,600)
At end of year	<u>-</u>	<u>5,609</u>	<u>5,609</u>

Amounts owed by undertakings	Parent undertakings	Fellow subsidiary undertakings	Total
2018	£000	£000	£000
At start of year	-	9,944	9,944
Sales/Income	16	85,504	85,520
Receipts	-	(75,743)	(75,743)
At end of year	<u>16</u>	<u>19,705</u>	<u>19,721</u>

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23 Related parties (continued)

	Parent undertakings	Fellow subsidiary undertakings	Total
	£000	£000	£000
Amounts owed to undertakings			
2019			
At start of year	-	14,098	14,098
Expenses and Dividends payable	-	27,017	27,017
Repayments	-	-	-
Dividends	-	-	-
Draw downs	-	-	-
Payment	-	(38,640)	(38,640)
At end of year	-	2,475	2,475

	Parent undertakings	Fellow subsidiary undertakings	Total
	£000	£000	£000
Amounts owed to undertakings			
2018			
At start of year	212	1,609	1,821
Expenses	-	47,278	47,278
Payment	(212)	(34,789)	(35,001)
At end of year	-	14,098	14,098

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash.

24 Ultimate parent company and parent undertaking of larger Group of which the Company is a member

The Company is a subsidiary undertaking of VolkerStevin Group Limited which is incorporated in England and Wales.

The smallest group in which the results of the Company are consolidated is that headed by VolkerStevin Group Limited, the largest UK group in which the results of the Company are consolidated is that headed by VolkerWessels UK Limited. Both VolkerStevin Group Limited and VolkerWessels UK Limited are incorporated in England. Copies of their consolidated financial statements may be obtained from the registered office at Hertford Road, Hoddesdon, Hertfordshire, EN11 9BX.

The largest group in which the results of the Company for this period are included is that headed by its ultimate parent company at 31 December 2019, Koninklijke VolkerWessels B.V., a company incorporated in The Netherlands. Copies of the published consolidated financial statements may be obtained from its Amersfoort office: Podium 9, 3826 PA Amersfoort, P.O. Box 2767, 3800 GJ Amersfoort, The Netherlands.

On 16 March 2020 Reggeborgh Holding B.V., a company incorporated in the Netherlands, acquired a majority shareholding in Koninklijke VolkerWessels B.V. and became the Company's ultimate parent company.

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Notes to the Financial Statements

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25 Accounting estimates and judgements

The preparation of the Company's financial statements requires the Directors to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. The nature of estimation and judgement means that actual outcomes could differ from expectation and may result in a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Critical Judgements in Applying the Company's Accounting Policies

In the process of applying the Company's accounting policies, the Directors have made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Categorisation of contracts

The five-step model included in IFRS 15 requires a number of judgements to be made which may have an impact on the timing of revenue recognition. Key judgements include whether a contract with a customer contains multiple performance obligations, how the transaction price is allocated to the performance obligations, whether revenue should be recognised at a point in time or over time and on an input or output basis.

The Company has determined the revenue recognition policy to use for each contract by applying the definitions and guidance of IFRS 15 including the core principal that "an entity shall recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services".

Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. A significant portion of the Company's activities are undertaken through long term construction contracts the Company is obliged to make estimates in accounting for revenue and margin. These amounts may depend on the outcome of future events and may need to be revised as circumstances change. The relevant areas are detailed below:

(a) Revenue recognition

The Company uses the percentage-of-completion method to determine the appropriate amount of revenue to recognise in a given period. The percentage of completion is measured by reference to the year end costs as a percentage of total estimated costs for each contract as an input method.

This requires forecasts to be made of the outcomes of long-term construction, which require assessments and judgements to be made on changes in the scope of work, changes in costs, maintenance and defects liabilities (see note 3). Across the Company there are several long-term projects where the best estimate has been made on significant judgements. Any such estimate may change as new information becomes available and may have a material effect on the Group's revenue, profits and cash flows.

(b) Variable consideration

The long-term nature of these contracts requires estimates of total contract costs and the transaction price. The contract transaction price includes adjustments for variable consideration i.e. compensation events, variations, claims and incentive payments, and are recognised to the extent that it is highly probable that a significant reversal in the amount of revenue recognised will not occur once any uncertainty associated with the variable consideration is subsequently resolved. The Company considers both the likelihood and the magnitude of the potential revenue reversal to estimate the revenue to recognise where there is uncertainty.

In the Company's infrastructure portfolio there are a number of long-term and complex engineering projects. For one of these projects, the company has included an estimate of the quantum for contractual compensation events which are still under review by the Client's cost assessors. These contractual compensation events arose due to numerous complex engineering factors and the resulting delays incurred in the delivery of this significant marine infrastructure programme of work all increasing the total forecast costs.

These contractual compensation events are included in contract assets for an amount of £10.9 million at 31 December 2019 with the contract being 63% complete, resulting in the recording of no margin on the contract. The value has been assessed by the Company on the basis of in-depth assessments by experienced professional engineers, quantity surveyors, cost consultants and planners, and an associated revenue constraint has been applied to reflect the highly probable outcome. The carrying value calculation includes two estimated factors; the total forecast costs of the Contract, impacting the percentage of completion, and the value of the revenue constraint applied.

In order to assess the sensitivity of the carrying value, a 25% increase or decrease has been applied to the total forecast costs, resulting in a £2.2 million decrease or a £3.6 million increase in the contract asset respectively; and a 25 basis point change increase or decrease in the revenue constraint applied resulting in a £3.6 million increase or £3.6 million decrease respectively. These have an equal effect on the consequent margin recorded.

The contract is ongoing and this programme of complex engineering works will continue to be delivered throughout 2020 and into 2021. It is expected that final agreement on these compensation events and others arising in 2020 which relate to events arising during 2020 will be concluded in the foreseeable future, following assessment through the defined contractual process agreed with the client in order to finalise the agreement on quantum.

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25 Accounting estimates and judgements (continued)

(c) Onerous contract provision

The onerous contract provision reflects an anticipated reduction in work awarded under a specific framework. It is expected that the cost to provide contractually agreed services will exceed the revenue generated due to this reduction.

In estimating the provision, the directors have made assumptions regarding the volumes of work that would be awarded by the client, the level of staff required to complete this work and the Group's ability to redeploy resources.

26 Events after the reporting period

The outbreak of COVID 19 and the necessity for large scale Government interventions in response to COVID-19 only became apparent after the balance sheet date and therefore the consequences of such interventions represent non-adjusting post balance sheet events. For further detail refer to the Going Concern section of the Strategic Report on page 6.

In addition global equity markets have experienced significant volatility since the balance sheet date which have had an impact on the Group's pension obligation due to fluctuations in the value of the underlying assets, the discount rates and potentially the assumed mortality rates. It is not practicable to reliably determine the impact of these consequences at the date of signing.

See note 24 for details on the change in ultimate parent company and ultimate controlling party after the balance sheet date.